

In the opinion of Bond Counsel and the Attorney General of the State of Michigan, subject to compliance with certain tax-related covenants, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes except as described under “TAX MATTERS” herein, and the Bonds and the interest thereon are exempt from all taxation provided by the laws of the State of Michigan except for estate taxes and taxes on gains realized from the sale, payment or other disposition of such Bonds. See “TAX MATTERS” herein.

\$4,370,000

**MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(WALDEN GREEN MONTESSORI PROJECT), SERIES 2006**

Dated: May 1, 2006**Due:** As shown on inside cover

The Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006 (the “Bonds”) will be issued by the Michigan Public Educational Facilities Authority (the “Issuer”) as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof and purchasers will not receive physical certificates representing the ownership interest in the Bonds purchased by them. See “THE BONDS – Book-Entry-Only System.”

The proceeds of the Bonds will be used to (i) pay capitalized interest; (ii) fund a debt service reserve fund; (iii) pay certain costs of issuance relating to the Bonds; and (iv) purchase the right to receive installment payments from Walden Green Montessori (the “Academy”) under the Installment Purchase Agreement (as defined below). Principal of, interest and premium, if any, on the Bonds are payable solely from assigned payments from the Academy pursuant to an installment purchase agreement among the Academy, 17339 Roosevelt Road, LLC and WG Equipment Vendor, LLC (collectively, the “Seller”) and the Issuer (the “Installment Purchase Agreement”) and from funds pledged under an indenture between the Issuer and Wells Fargo Bank, N.A., as Trustee (the “Indenture”).

Interest on the Bonds will accrue from the date of delivery and will be payable semi-annually on each April 1 and October 1, commencing October 1, 2006. Principal of and interest on the Bonds will be paid by the corporate trust office of Wells Fargo Bank, N.A., the Trustee and Paying Agent. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to DTC. Disbursements of such payments to the Direct Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein.

The Bonds maturing on October 1, 2016 are not subject to optional redemption. The Bonds maturing on October 1, 2021, October 1, 2026 and April 1, 2036 are subject to optional redemption beginning October 1, 2012. All of the Bonds are subject to mandatory redemption as described herein. See “THE BONDS – Redemption of the Bonds Prior to Maturity” herein.

THE BONDS ARE PAYABLE SOLELY FROM THE ACADEMY’S ASSIGNED PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, CENTRAL MICHIGAN UNIVERSITY (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, CENTRAL MICHIGAN UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER. SEE “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS” AND “RISK FACTORS” HEREIN.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Purchase of the Bonds involves a high degree of risk and the Bonds are a speculative investment. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision, and should give particular attention to the material under the caption “RISK FACTORS” herein.

The Bonds are offered when, as and if issued by the Issuer and received and accepted by the Underwriter and subject to the approval of legality by Dykema Gossett PLLC, Lansing, Michigan, Bond Counsel, and the Attorney General of the State of Michigan, and certain other conditions. Certain legal matters will be passed upon by Warner Norcross & Judd LLP, Grand Rapids, Michigan, and Winter Law Firm, Grand Haven, Michigan, as co-counsel to the Academy and by Dykema Gossett PLLC, Lansing, Michigan as Underwriter’s Counsel. It is expected that the Bonds in book-entry form will be available for delivery against payment therefor on or about May 31, 2006.



MATURITY SCHEDULE

\$690,000	Term Bonds Due October 1, 2016	Interest Rate 5.000%	Yield 5.63%	CUSIP: 594569AZ8
\$580,000	Term Bonds Due October 1, 2021	Interest Rate 5.250%	Yield 5.78%	CUSIP: 594569BA2
\$760,000	Term Bonds Due October 1, 2026	Interest Rate 5.500%	Yield 5.98%	CUSIP: 594569BB0
\$2,340,000	Term Bonds Due April 1, 2036	Interest Rate 5.625%	Not Reoffered	CUSIP: 594569BC8

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Academy, the Seller or the Underwriter to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy and, there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The descriptions of the documents in the Official Statement are summaries thereof and reference is made to the actual documents for a complete understanding of the contents of such documents.

The Trustee assumes no responsibilities for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE ISSUER (WITH RESPECT TO THE INFORMATION UNDER THE CAPTION "THE ISSUER" ONLY), THE ACADEMY, THE SELLER, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY AND COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

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OFFICIAL STATEMENT
\$4,370,000
MICHIGAN PUBLIC EDUCATIONAL FACILITIES
AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(WALDEN GREEN MONTESSORI PROJECT), SERIES 2006

INTRODUCTION

This Official Statement (including the cover page and Exhibits) is provided to furnish information in connection with the issuance and sale by the Michigan Public Educational Facilities Authority (the "Issuer") of its Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006 in the aggregate principal amount of \$4,370,000 (the "Bonds"). The Bonds will be limited obligations of the Issuer as described under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

The Bonds will be issued under a Trust Indenture, dated as of May 1, 2006 (the "Indenture"), between the Issuer and Wells Fargo Bank, N.A., as Trustee (the "Trustee"). The proceeds of the Bonds will be used to (i) pay capitalized interest; (ii) fund a debt service reserve fund; (iii) pay certain costs of issuance relating to the Bonds; and (iv) purchase the right to receive payments (the "Payments") from Walden Green Montessori (the "Academy") under the Installment Purchase Agreement (as defined below).

The Academy will finance the acquisition and improvement of the Project (as defined below) pursuant to the terms of an Installment Purchase Agreement dated as of May 1, 2006 among 17339 Roosevelt Road, LLC and WG Equipment Vendor, LLC (collectively, the "Seller"), the Issuer and the Academy (the "Installment Purchase Agreement"). The Installment Purchase Agreement will finance the costs of (a) the acquisition of land, (b) the construction of an approximately 15,000 square feet of new space; and (c) the renovation, furnishing and equipping thereof, all to be located at 17339 Roosevelt Road, Spring Lake, Michigan (the "Facilities") and to be occupied by the Academy for use as a public school academy (collectively, the "Project"). The Seller's right to receive Payments from the Academy will be irrevocably assigned by the Seller to the Issuer upon completion of the Project pursuant to the terms of the Installment Purchase Agreement. The Academy's Payments assigned to the Issuer under the Installment Purchase Agreement are projected to be sufficient to pay the principal of, premium, if any and interest on the Bonds when due.

In order to ensure that the Academy will meet its obligations under the Installment Purchase Agreement, the Academy has assigned a portion (not exceeding twenty percent (20%)) of the State School Aid to be received by the Academy from the State of Michigan (the "Direct Payments") and other funds pledged by the Academy under the Indenture. Pursuant to the State Aid Agreement (the "State Aid Agreement") dated as of May 1, 2006, by and among the Academy, the Trustee, the Issuer, Central Michigan University, as authorizing body and fiscal agent for the Academy, and the State Treasurer, the Direct Payments are to be paid to the Trustee and used to pay the Academy's obligations under the Installment Purchase Agreement. The Bonds will be further secured by a mortgage granting the Trustee a first mortgage lien, subject to permitted encumbrances, on the Facilities, when title to the Facilities passes to the Academy. Such mortgage (the "Mortgage") will be in the form of either (i) a mortgage executed by the Seller of the real property portion of the Project coupled with a Real Estate Covenant and Indemnification Agreement executed by the Academy, or (ii) a mortgage executed by the Academy.

THE PROJECT

The Project will consist of a 15,000 square foot building that will include classrooms, commons, a kitchen and offices. The building will be the only building operated by the Academy and is intended to serve grades K through 8.

THE BONDS ARE PAYABLE SOLELY FROM THE ACADEMY'S ASSIGNED PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY (20%) PERCENT OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, CENTRAL MICHIGAN UNIVERSITY (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, CENTRAL MICHIGAN UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" AND "RISK FACTORS" HEREIN.

THE ISSUER

The Issuer is a public body corporate and politic of the State of Michigan (the "State"), created by Executive Order 2002-3, compiled at §12.192 of the Michigan Compiled Laws, and is housed within the Michigan Department of Treasury. The Issuer was established for, among other purposes, the purpose of lending money to public school academies within the State for financing or refinancing the acquisition, construction and equipping of public school facilities and for other purposes. In order to effectuate such purposes, the Issuer is authorized to issue its bonds or notes and to make money available to public school academies by the purchase of, among other things, Installment Purchase agreements or making loans to a nonprofit corporation for the benefit of a public school academy.

The Issuer is governed by a Board of Trustees (the "Board"). The members of the Board are appointed by the Governor of the State with the advice and consent of the State Senate. The members serve for various terms and continue to serve until successors are appointed and file the oath of office. The members of the Board are:

Ganesh V. Reddy, Chairperson	Director of Business Development-Government HTC Global Services, Inc. Troy, Michigan
Mark J. Burzych	Partner Foster, Swift, Collins & Smith, P.C. Lansing, Michigan
Timothy A. Hoffman	Director of Regulatory Affairs Consumers Energy Jackson, Michigan
Robert J. Kleine	State Treasurer Lansing, Michigan
David S. Mittleman	Partner Church, Kritselis & Wyble, P.C. Lansing, Michigan

The Indenture provides that the covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture are those of the Issuer and not of any member of the Board or any officer or employee of the Issuer in his or her individual capacity and that no recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or on the Indenture against any member of the Board, any officer or employee of the Issuer or any person executing the Bonds.

The Issuer is housed within the State Department of Treasury but exercises its statutory functions independently of the State Treasurer. The Issuer's address is Richard H. Austin Building, 430 West Allegan Street, Lansing, Michigan 48922, and its telephone number is (517) 335-0994.

The Executive Director of the Issuer is Thomas J. Letavis.

The Bonds are limited obligations of the Issuer as described in this Official Statement. The Issuer is not generally liable on the Bonds or on any other obligation incurred by the Issuer under the Indenture or the Installment Purchase Agreement. The Bonds are not general obligations and do not constitute debts or pledges against the general credit of the Issuer or the credit or taxing power of the State of Michigan. The Bonds are limited obligations of the Issuer, which will, if and when issued, be payable solely through revenues, properties or other funds as described in this Official Statement, the Indenture and the Installment Purchase Agreement. No owner of any Bond shall have the right to demand payment of the principal of, premium, if any, or interest on such Bond out of any funds to be raised by taxation. The Issuer has no taxing power.

The Issuer has not prepared any material for inclusion in this Official Statement except the matters under the heading "THE ISSUER." The distribution of this Official Statement has been duly approved and authorized by the Issuer. Such approval and authorization do not, however, constitute a representation of approval by the Issuer of the accuracy or sufficiency of any information contained herein except to the extent of the information contained in this Section.

THE ACADEMY

The Academy is a public school academy operating as a Michigan non-profit corporation and a governmental agency of the State of Michigan, organized pursuant to Part 6A of Chapter 380 of the Michigan Revised School Code, Michigan Compiled Laws ("M.C.L.") § 380.501 et. seq. and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. § 450.2101 et. seq.

The Academy began operations in 1995 as a public school academy. The Academy's mission is to follow the child and educate all children to their human potential. The Academy utilizes the Montessori system of education, which was founded by Dr. Maria Montessori over 75 years ago, by incorporating current brain research and instructional practices. The Academy is currently a school of 122 students.

The Academy is governed by a volunteer Board of Directors and operates under a charter contract (the "Charter") with the Central Michigan University ("CMU") Board of Trustees, its authorizing body. The CMU Board of Trustees recently renewed the Academy's charter effective July 1, 2005 for a seven (7) year term expiring June 30, 2012 unless sooner terminated in accordance with the terms of the Charter.

For additional information regarding the Academy, see "EXHIBIT A – WALDEN GREEN MONTESSORI."

USE OF PROCEEDS

The sources and uses of funds to pay the costs of the Project, net of accrued interest, are estimated to be as follows:

Sources of Funds:

Bond Proceeds (Par Amount)	\$4,370,000.00
Accrued Interest	19,864.58
Net Original Discount	<u>(244,314.00)</u>
Total Sources:	<u>\$4,145,550.58</u>

Uses of Funds:

Deposit to Project Fund	\$3,431,050.00
Deposit to Debt Service Reserve Account	313,578.13
Deposit to Bond Fund for Accrued Interest and Capitalized Interest	99,322.92
Costs of Issuance*	<u>301,599.53</u>
Total Uses:	<u>\$4,145,550.58</u>

*Includes Underwriter's discount.

THE BONDS

General

The Bonds will be issuable as fully registered bonds without coupons in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof ("Authorized Denominations"). The Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement, subject to redemption prior to maturity, and will bear interest until paid at the rates shown on the inside cover page of this Official Statement, payable semi-annually on April 1 and October 1 of each year, commencing on October 1, 2006 (each an "Interest Payment Date").

Interest on the Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months. Payments of principal of and premium, if any, with respect to the Bonds will be made upon surrender of the Bonds at the office of the Trustee. Payments of interest on the Bonds will be made by check or draft mailed on or before each Interest Payment Date to the registered owner thereof as of the Record Date at his or her address as it last appears on the registration books of the Trustee irrespective of any transfer or exchange of the Bonds subsequent to the Record Date and prior to such Interest Payment Date. The "Record Date" means the 15th day of the calendar month immediately preceding any Interest Payment Date, or as otherwise specified in the Indenture.

Redemption of Bonds Prior to Maturity

Optional Redemption

The Bonds maturing on October 1, 2016 are NOT subject to optional redemption prior to maturity. The Bonds maturing on October 1, 2021, October 1, 2016 and April 1, 2036 are subject to redemption at the option of the Academy in whole or in part on any day commencing on or after October 1, 2012, which date shall be the first day for which notice of redemption may be given under the Indenture at the redemption prices plus accrued interest to the redemption date as set forth below:

<u>Redemption Period</u>	<u>Redemption Price</u>
October 1, 2012 to September 30, 2013	102%
October 1, 2013 to September 30, 2014	101.5
October 1, 2014 to September 30, 2015	101
October 1, 2015 to September 30, 2016	100.5
October 1, 2016 and thereafter	100

Mandatory Sinking Fund Redemption

The Bonds maturing October 1, 2016, are subject to mandatory sinking fund redemption on October 1, 2008 and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date from amounts on deposit in the Revenue Fund established pursuant to the Indenture as follows:

Term Bonds Maturing October 1, 2016	
Date	Principal Amount
October 1, 2008	\$ 35,000
October 1, 2009	60,000
October 1, 2010	70,000
October 1, 2011	75,000
October 1, 2012	80,000
October 1, 2012	85,000
October 1, 2014	90,000
October 1, 2015	95,000
October 1, 2016*	100,000

* Maturity Date

The Bonds maturing October 1, 2021, are subject to mandatory sinking fund redemption on October 1, 2017, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date from amounts on deposit in the Revenue Fund established pursuant to the Indenture as follows:

**Term Bonds Maturing
October 1, 2021**

Date	Principal Amount
October 1, 2017	\$105,000
October 1, 2018	110,000
October 1, 2019	115,000
October 1, 2020	120,000
October 1, 2021*	130,000

* Maturity Date

The Bonds maturing October 1, 2026, are subject to mandatory sinking fund redemption on October 1, 2022, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date from amounts on deposit in the Revenue Fund established pursuant to the Indenture as follows:

**Term Bonds Maturing
October 1, 2026**

Date	Principal Amount
October 1, 2022	\$135,000
October 1, 2023	145,000
October 1, 2024	150,000
October 1, 2025	160,000
October 1, 2026*	170,000

* Maturity Date

The Bonds maturing April 1, 2036, are subject to mandatory sinking fund redemption on October 1, 2027, and on each October 1 thereafter through October 1, 2035, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date from amounts on deposit in the Revenue Fund established pursuant to the Indenture as follows:

**Term Bonds Maturing
April 1, 2036**

Date	Principal Amount
October 1, 2027	\$180,000
October 1, 2028	190,000
October 1, 2029	200,000
October 1, 2030	210,000
October 1, 2031	225,000
October 1, 2032	235,000
October 1, 2033	250,000
October 1, 2034	265,000
October 1, 2035	280,000
April 1, 2036*	305,000

* Maturity Date

Extraordinary Redemption

As provided in the Indenture, in the event of damage to or destruction or condemnation of all or a portion of the Facilities, the Bonds are subject to optional redemption prior to maturity by the Issuer at the direction of the Academy, either in whole at any time or in part on any interest payment date in any order of maturity and from any series at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption.

Mandatory Redemption Upon Determination of Taxability

The Bonds are subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability under the Indenture, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Redemption From Insurance and Condemnation Proceeds

The Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Installment Purchase Agreement.

Notices of Redemption

An authorized officer of the Issuer shall cause notice of each redemption to be given by the Bond Registrar and Paying Agent to the Registered Owner of any Bonds designated for redemption in whole or in part at the address as shall last appear upon the registration books maintained by the Bond Registrar and Paying Agent by mailing a copy of the redemption notice by first-class mail at least 30 days prior to the Redemption Date. The failure of the Bond Registrar and Paying Agent to give notice to an Owner or the failure of any Owner to receive notice, or any defect in such notice will not affect the validity of the redemption of any Bonds.

Upon surrender of any Bond in a denomination greater than the minimum Authorized Denomination, which Bond has been called for redemption in part only, the Issuer shall execute and the Bond Registrar and Paying Agent shall authenticate and deliver to the registered Owner thereof a new Bond or Bonds of Authorized Denominations in an aggregate principal amount equal to, and otherwise the same as, the unredeemed portion of the Bond surrendered.

Book-Entry-Only System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate in typewritten form will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO BONDHOLDERS, HOLDERS OR OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION “TAX MATTERS” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Academy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to

Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository); in that event, the Bond certificates will be printed and delivered to the Participants for delivery to the Beneficial Owners. The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer assumes no responsibility for the accuracy thereof.

NEITHER THE ISSUER, THE ACADEMY, THE TRUSTEE, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds are limited obligations of the Issuer and are payable by the Issuer solely from the assigned Payments due from the Academy under the Installment Purchase Agreement (as defined below) and other funds pledged by the Academy under the Indenture. The Academy has pledged a portion of its State School Aid payments to pay the assigned Payments due under the Installment Purchase Agreement and with respect to this pledge the Academy has entered into a State Aid Agreement dated as of May 1, 2006 relating to the intercept and/or advance of its State School Aid payments. The Bonds will be further secured by the mortgage granting the Trustee a first mortgage lien, subject to permitted encumbrances, on the Facilities. The Mortgage will be delivered to the Trustee at the closing of the Bonds and the Trustee will be directed to record the Mortgage when title to the Facilities passes to the Academy upon completion of the Project.

THE BONDS ARE PAYABLE SOLELY FROM THE ACADEMY'S ASSIGNED PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, CENTRAL MICHIGAN UNIVERSITY (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, CENTRAL MICHIGAN UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER.

The Installment Purchase Agreement

The Installment Purchase Agreement was entered into for the purpose of financing the construction and equipping of a public school academy facility and related Site improvements to be operated by the Academy. The Academy will acquire the Project pursuant to the terms of the Installment Purchase Agreement by and among the Issuer, the Academy and the Seller. The proceeds of the Bonds deposited into the Project Fund will be used to purchase the Seller's right to receive periodic payments and exercise remedies under the Installment Purchase Agreement, which rights will be assigned to the Trustee pursuant to the terms of the Installment Purchase Agreement. The Installment Purchase Agreement provides that the Seller will convey title to the Project upon completion of the Project, in exchange for a lump sum purchase payment, which will be made from Bond proceeds deposited in the Project Fund. The Academy's payments under the Installment Purchase Agreement are projected to be sufficient to pay the principal of, premium, if any, and interest on the Bonds when due.

State School Aid Pledge

Pursuant to the Installment Purchase Agreement, the Academy has pledged the State School Aid payments to be received by it in each fiscal year from the State (the "Pledged State School Aid") to pay the Payments due under the Installment Purchase Agreement; provided that the Pledged State School Aid applied by the Trustee under the Indenture on behalf of the Academy to pay Payments under the Installment Purchase Agreement in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy in such fiscal year.

The Academy agrees with the Issuer under the Installment Purchase Agreement that if the State School Aid Act is modified to provide for a different schedule of periodic State School Aid payments than that now in effect, the Issuer, by written notice to the Trustee, the State Treasurer, the Academy and its Authorizing Body may designate different payment dates (and, to the extent necessary, different payment amounts) to provide for timely receipt of Payments consistent with such revised State School Aid payment schedule.

Direct Transfer of State School Aid for Payment of the Installment Purchase Agreement

Under the Installment Purchase Agreement the Academy has agreed to pay the Payments from the State School Aid to be allocated to it and payable to its Authorizing Body. The Issuer and the Academy in the Installment Purchase Agreement, and the Academy and its Authorizing Body in the State Aid Agreement, agree that the State Treasurer is irrevocably directed to transmit an amount approximately equal to 1/11 of the annual principal payments scheduled on the Bonds plus 1/11 of the annual interest obligation on the Bonds plus 1/11 of the Scheduled Fee Payments (as defined in the Installment Purchase Agreement) on or before the 20th of each January, February, March, April, May, June, July, August, October, November and December directly to the Trustee; provided, that the amounts transmitted in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy in such fiscal year.

If for any reason the amount held by the Trustee on the due date of any Payment is insufficient to pay the Payment due under the Installment Purchase Agreement, then in that event the Academy pledges to use any and all other available funds to satisfy that Payment obligation.

If, on the due date for any Academy Payment, the funds with the Trustee are insufficient to pay the Payment due under the Installment Purchase Agreement, the Academy, pursuant to the State School Aid Act to the extent necessary to meet that payment obligation, assigns to the Issuer and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any State School Aid payment to be made to or for the Academy which is dedicated for distribution or for which the appropriation authorizing such payment has been made. Any such advance will be made directly to the Trustee and applied on the following priority basis: first, the amount required to pay the Payment due under the Installment Purchase Agreement shall be held and applied by the Trustee for that purpose; second, any other amounts owing to the Issuer by the Academy under its Installment Purchase Agreement when due shall be held and applied by the Trustee for that purpose; and third, any remaining amount shall be immediately distributed to the Academy's Authorizing Body or as otherwise directed by the Issuer. The Installment Purchase Agreement provides that any such intercept and/or advance process with respect to the Academy shall continue until sufficient funds are deposited with the Trustee to pay all of the Academy's Payments

due under the Installment Purchase Agreement. Notwithstanding the foregoing, no more than twenty (20%) percent of the State School Aid payments received by the Academy in each fiscal year may be legally available to pay scheduled principal and interest on the related Bonds through its Payments due under the Installment Purchase Agreement.

State School Aid Source

The primary source of revenue received by the Academy is State School Aid which is a per pupil foundation allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature.

See “EXHIBIT A – WALDEN GREEN MONTESSORI – State Aid Payments” for the Academy’s State School Aid per pupil Seller allowance for the 2000–01 through 2005–06 fiscal years.

Pursuant to the State School Aid Act, a public school academy’s annual entitlement to State School Aid for the 2005–06 fiscal year shall be paid in installments equal to one-eleventh of such entitlement on the 20th (or if the 20th falls on a Saturday, Sunday or legal holiday, on the immediately preceding regular business day) in each of the months of October through August, subject to certain statutory adjustments.

Pupil Membership Counts

State School Aid is paid to a public school academy on a per pupil basis. The State School Aid Act currently provides that pupil membership is based on a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. The State School Aid Act contains alternative methodologies for determining pupil counts for public school academies which have been in existence less than two years or which have suspended operations for one or more semesters. For school districts, including public school academies, which have pupils enrolled in a grade level that was not offered the prior year, pupil membership counts for that grade level are based on an average of the current September count and the following February supplemental count, all as determined by the Michigan Department of Education. None of the alternative methodologies for determining pupil counts apply to the Academy.

Legislative Changes in the State School Aid Act

The State School Aid Act may be modified by the Michigan Legislature, subject only to certain State constitutional parameters. The amount, timing and methodology for calculation of State School Aid have changed significantly in recent years. State School Aid payments are subject to annual appropriation and future modification by the Michigan Legislature, subject only to such constitutional parameters.

The Reserve Fund

The Reserve Fund will be established pursuant to the Indenture and fully funded with proceeds from the Bonds in an amount equal to the Reserve Fund Requirement. The “Reserve Fund Requirement” means an amount equal to the lesser of (a) the maximum annual principal and interest requirements on the Bonds, (b) 125% of the average annual principal and interest requirements on the Bonds, or (c) 10% of the original principal amount of the Bonds (net of original issue discount).

The Mortgage

Upon completion of the Project, the Installment Purchase Agreement provides that the Seller shall convey title to the Project to the Academy in exchange for the payment of a lump sum purchase price to be paid from Bond proceeds deposited in the Project Fund. The Indenture requires the Trustee, in connection with the payment of the purchase price to the Seller, to record the warranty deed delivered by the Seller to the Academy and to date and record the Mortgage that is delivered to the Trustee at the closing of the Bonds. The Mortgage will be in the form of

either (i) a mortgage executed by the Seller of the real property portion of the Project coupled with a Real Estate Covenant and Indemnification Agreement executed by the Academy, or (ii) a mortgage executed by the Academy. Pursuant to such Mortgage, the Trustee will receive a first mortgage lien, subject to permitted encumbrances, on the Facilities to secure the payment of the Academy's Payments due under the Installment Purchase Agreement.

Under the State School Aid Act, property of a public school academy that was acquired substantially with funds appropriated under such Act is required to be transferred to the State by the public school academy in certain events, including revocation of its charter or if its charter has not been reissued by the authorizing body. In such event, the State School Aid Act authorizes the State Treasurer to sell such property and requires the State Treasurer to apply the net proceeds from such sale first to pay any debt of the public school academy secured by such property, and second, to deposit any remaining amount into the State School Aid fund.

There are potential risks relating to environmental liability associated with ownership of or secured lending with respect to real property. In connection with interim financing previously obtained by the Academy for the real property on which the Facilities are located, the Academy had a Transaction Screen Report prepared by an independent environmental consulting firm. The report did not identify any environmental issues with respect to such real property and in the professional opinion of the environmental consultant no further investigations of the site were warranted at that time. A Transaction Screen Report is, by its nature, designed to be less comprehensive than a traditional Phase I environmental study. Additionally, the report was not prepared for, nor may it be relied upon by, the Bondholders.

Certain Financial Information Concerning the State

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report ("CAFR") prepared by the State's Office of the State Budget are available from the Office of the State Budget website at www.michigan.gov/budget. The State has agreed to file its CAFR with the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually.

Limited Obligation

Neither the Issuer nor the State of Michigan nor Central Michigan University shall be obligated to pay the Bonds or the interest thereon or other costs incident thereto, except that the Issuer shall be obligated to make such payments solely from the security for the Bonds described below. Neither the faith and credit of the Issuer or Central Michigan University nor the taxing power of the State of Michigan is pledged to the payment of the principal of, premium, if any, or the interest on, the Bonds. The Bonds are not general obligations of the Issuer, but are limited obligations payable solely from certain amounts payable by the Academy under the Installment Purchase Agreement and other moneys pledged therefor under the Indenture. The Issuer has no taxing power.

CHARTER SCHOOLS IN MICHIGAN

General

In December of 1993, Michigan became the ninth state to pass charter school legislation. The current charter school statute is codified in the Revised School Code, § 380.501 – 380.507 of the Michigan Compiled Laws (M.C.L.). In Michigan, charter schools are known as public school academies. A public school academy is a state-supported public school that is funded through the State School Aid Act (1979 PA 94, as amended, M.C.L., 388.1601, *et. seq.*) and receives funding through a per pupil base Seller allowance. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – State School Aid Source" herein.

According to the Michigan Association of Public School Academies ("MAPSA"), there were 219 public school academies serving approximately 82,000 students during the 2004-05 school year. More than 50% of charter students are minorities and 58% of them qualify for free- or reduced-price lunch. Nearly 85% of Michigan's public school academies had increased or steady enrollment for the 2003-04 school year, and more than two-thirds of those schools have waiting lists. About 9% of charter students have special needs.

Michigan Supreme Court Upholds Law

The Michigan Supreme Court ruled 5-1 on July 30, 1997 that Michigan's original public school academy law was constitutional. The Court ruled that "1993 PA 362 does not violate Constitution 1963, article 8 section 2 or section 3. Further, . . . the 1994 PA 416 repealer is valid and enforceable, requiring remand to the trial court for vacation of the injunction and entry of an order to the Department of Treasury to disburse funds to the public school academies operating under 1993 PA 362." *Council of Organizations and Others for Educ. about Parochialism, Inc. v. Michigan Dept. of Educ. et. al.*, 455 Mich. 557, 556 N.W.2d 208 (Mich. 1997).

Michigan School Finance Reform

On June 15, 1994, the electors of the State of Michigan approved a ballot proposition ("Proposal A") to amend the State Constitution of 1963, in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in Michigan in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among all school districts.

LIMITATION ON ADDITIONAL INDEBTEDNESS

The Academy in the Installment Purchase Agreement will covenant that without the prior written consent of the Trustee, it will not incur indebtedness for borrowed money, guarantee the obligations of others or incur other pecuniary obligations, except:

- (a) obligations incurred in the ordinary course of business;
- (b) state aid notes issued pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended; and
- (c) purchase money obligations secured only by the property being financed and/or a pledge of State School Aid, provided that the aggregate amount of such purchase money obligations outstanding at any one time shall not exceed twenty (20%) percent of the State School Aid received by the Academy in the most recently completed fiscal year.

RISK FACTORS

This Official Statement contains summaries of pertinent portions of the Bonds and the Indenture. Such summaries and references are qualified in their entirety by reference to the full text of such documents. The following discussion of some of the risk factors associated with the Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Speculative Investment

Purchase of the Bonds involves a high degree of risk and the Bonds are a speculative investment. The Bonds are not rated. See "RATING" below.

Sufficiency of Revenues

The Bonds are secured by and payable solely from revenues of the Academy pledged under the terms and conditions of the Indenture and as otherwise described therein. Based on present circumstances (i.e., its charter contract and operating history), and assuming additional enrollment and capacity after acquisition, construction and renovation of the Project, the Academy believes it will generate sufficient revenues to meet its obligations under the Indenture. However, the Academy's charter may be terminated or not renewed, or the basis of the assumptions utilized by the Academy to formulate this belief may otherwise change and no representation or assurance can be made that the Academy will continue to generate sufficient revenues to meet its obligations.

Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation

The Academy may not charge tuition and has no taxing Issuer. The primary source of revenue received by the Academy is the per pupil allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature. The Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, to enable the Academy to pay debt service on the Bonds and to meet its general operating expenses. Similarly, the State allocation per student could be reduced or not keep pace with expenses such that the aggregate State School Aid Payments to the Academy is inadequate to allow the Academy to pay its operating expenses and debt service on the Bonds. No liability shall accrue to the State in such event, and the State will not be obligated or liable for any future payments or any damages in such event. In the event the State were to withhold the payment of monies from the Academy for any reason, even a reason that is ultimately determined to be invalid or unlawful, it is likely the Academy would be forced to cease operations.

Delay in, Reduction, or Termination of State School Aid

Any event that would cause a delay, reduction or elimination of State School Aid payments would have a material adverse effect on the ability of the Academy to make debt service payments on the Bonds. The Michigan legislature is required to balance the budget and if it does not, the proration provisions of the School Aid Act become effective. The proration provisions essentially roll back the per pupil allowance. Section 11 of the School Aid Act states that if appropriations exceed the amount available for expenditure from the School Aid Fund in any given year, then the State must prorate certain payments to school districts in order to eliminate the shortfall. In previous fiscal years, the State has applied across-the-board cuts to eliminate shortfalls which have resulted in a reduction of the Academy's per pupil allowance. No representation can be made that future fiscal periods will not be subject to similar budget shortfalls.

Changes in Law

The School Aid Act is subject to modification by the Michigan Legislature, subject only to certain constitutional parameters. The amount, timing and methodology for calculation of State School Aid has changed significantly in recent years, and is subject to future legislative changes.

Further, the Michigan Legislature has amended the charter school laws since they were first enacted in 1993. Future amendments to the law may adversely affect the Academy, for example, by reducing the maximum amount payable by the State for students enrolled by the Academy, by limiting the amount of such State School Aid payments that may be pledged to obligations such as the Bonds, by withholding a percentage of the State School Aid payments if a charter school is deemed not to be in compliance with its charter or state and federal laws, by decreasing the maximum length of a charter contract's term, by requiring a state body to make an assessment of each school's effectiveness every year, by limiting the number of students for which State funds are available, by mandating new facilities or programs which may cost more than has been projected, by revising the relative responsibilities between school districts and the State for financing schools (including charter schools) or by eliminating the Issuer for charter schools.

Economic and Other Factors

Future economic and other factors may adversely affect the Academy's revenues and expenses and, consequently, the Academy's ability to make debt service payments under the Indenture. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the Academy at optimum levels for each grade level; the ability of the Academy to provide the education desired and accepted by the population served; economic developments in the affected service area; diminution of the Academy's reputation in its field; competition from other educational institutions, including other charter schools, private schools and public schools; lessened ability of the Academy to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Michigan charter school statutes; future claims for

accidents at the Academy's sites and the extent of insurance coverage for such claims; decrease in per-student funding amounts by the State; and the occurrence of natural disasters such as floods.

Limited Operating History; Reliance on Projections

The ability of the Academy to make debt service payments when due is dependent on State School Aid payments to be received by the Academy as payment for educating students. The Academy has conducted operations as a charter school since 1995. The projections of revenues and expenses contained in "EXHIBIT A – WALDEN GREEN MONTESSORI – Historical and Projected Revenue and Expenses," herein were prepared by the Academy and have not been independently reviewed or verified by any other party. In particular, the Underwriter has not independently verified such projections, and makes no representations nor gives any assurances that such projections, nor the assumptions underlying them, are complete or correct. Further, the projections relate only to the fiscal years of the Academy ending June 30, 2006 through 2010, and consequently do not cover the entire period that the Bonds will be outstanding.

The projections are derived from the actual operation of the Academy and from the Academy's assumptions about future student enrollment and expenses. There can be no assurance that the actual enrollment revenues and expenses for the Academy will be consistent with the assumptions underlying the projections contained herein. Moreover, no guarantee can be made that the projections of revenues and expenses contained herein will correspond with the results actually achieved in the future because there is no assurance that actual events will correspond with the assumptions made by the Academy. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced State School Aid payments, or otherwise), employee relations, changes in taxes, changes in applicable government regulation, changes in demographic trends, changes in elementary education competition and changes in local or general economic conditions. Refer to "EXHIBIT A – WALDEN GREEN MONTESSORI," to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE SCHOOL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.

Completion of the Project

Proceeds of the Bonds will be used to finance various projects under the Installment Purchase Agreement. If plans regarding the Project result in a construction cost that exceeds the amount available to pay such costs, such plans will have to be modified by the Academy to lower the construction costs to an amount not exceeding the amount deposited into the Project Fund for that purpose or the Academy will have to provide additional funding. No assurance can be given that the project will be acquired, constructed or modified on time or for the amount deposited into the Project Fund for such purpose.

Damage or Destruction of the Project

The Indenture requires that the Academy's property be insured against certain risks in certain amounts. There can be no assurance that the amount of insurance required to be obtained will be adequate or that the cause of any damage or destruction will be as a result of a risk. Further, there can be no assurance of the creditworthiness of the insurance companies from which the Academy will obtain the required insurance policies.

Determination of Taxability

If a Determination of Taxability (as defined in the Indenture) were to occur, the Bonds would be subject to mandatory redemption, as a whole and not in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, on the earliest practicable date for which notice can be given following such determination.

Factors Associated with the Academy's Operations

There are a number of factors affecting schools in general that could have an adverse effect on the Academy's financial position and ability to make the debt service payments required under the Indenture. These factors include, but are not limited to, increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; any unionization of the Academy's workforce with consequent impact on wage scales and operating costs of the Academy; the ability to attract a sufficient number of students; changes in existing statutes pertaining to the powers of the Academy and disruption of the Academy's operations by real or perceived threats against the school, its employees or students. The Academy cannot assess or predict the ultimate effect of these factors on its operations or financial results of its operations or on its ability to make debt service payments with respect to the Bonds.

Potential Effects of Bankruptcy

If the Academy were to file a petition for relief (or if a petition were filed against such entity as debtor) under the United States Bankruptcy Code, 11 U.S.C. §§ 101 et. seq., as amended, or other state insolvency, liquidation or receivership laws, the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Academy or the property of the Academy. If the bankruptcy court or other state or federal court so ordered, the Academy's property and revenues could be used for the benefit of the Academy despite the claims of its creditors (including the owners of the Bonds).

In a bankruptcy proceeding under Chapter 11 of the Bankruptcy Code, the Academy could file a plan of reorganization which would modify the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the owners of the Bonds). The plan, when approved ("confirmed") by the bankruptcy court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the Academy except as otherwise provided for in the plan. No plan may be confirmed by a bankruptcy court unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. The Academy is prohibited from creating secured creditors except as provided in the Indenture.

Value of Property May Fluctuate

The value of the Project at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Academy's property which would suggest that its value would remain stable or would increase if the general values of property in the community were to decline.

Special Purpose Buildings

The Project subject to the lien of the Mortgage is not a general purpose building and may not be suitable for industrial or commercial use. If it were necessary to foreclose a judgment lien on the Project under "forced sale conditions" that are present in a foreclosure, it may be difficult to find a purchaser willing to buy, or the property may provide less than full value to the Trustee. There can be no assurance that foreclosure sale proceeds will be sufficient to pay the amounts then outstanding on the Bonds.

Competition for Students

The Academy competes for students with other public school academies, public schools, and private schools. There can be no assurance that the Academy will attract and retain the number of students that are needed to produce the pledged revenues that are necessary to pay the debt service on the Bonds. Several public school academies, public schools and private schools are located in close proximity to the Academy. Refer to “EXHIBIT A – WALDEN GREEN MONTESSORI – Service Area and Competing Schools,” for information regarding other schools in the Academy’s service area and schools that compete with the Academy.

Key Management

The creation of, and the philosophy of teaching in, public school academies such as the Academy may reflect the vision and commitment of a few key persons who are on the Board of Directors and/or who makeup the upper management of the Academy (“Key Directors/Managers”). Loss of such Key Directors/Managers could adversely affect the Academy’s operations or financial results. It is anticipated that over time that public school academies will become less dependent upon the Key Directors/Managers. However, there can be no assurance that this will occur.

Revocation or Non-Renewal of Charter

The Academy operates under a charter contract with the Central Michigan University Board of Trustees (the “University Board”). The charter contract provides the basis for the Academy to receive State School Aid payments. Unless renewed by the University Board, the Academy’s charter contract will expire on June 30, 2012. Decisions to renew or not to renew the charter are at the sole discretion of the University Board. The University Board could choose not to renew the Academy’s charter upon its expiration for any reason. Additionally, the University Board may unilaterally terminate the Academy’s charter at any time if the Academy is not in substantial compliance with the charter or any provision of applicable law. The University Board may also revoke or terminate the charter pursuant to its terms based on grounds specified in the charter. See “EXHIBIT A – WALDEN GREEN MONTESSORI – The Charter Agreement.” The decision not to renew or to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any State agency. In the event that the Academy’s charter is revoked or not renewed, the ability of the Academy to make debt service payments on the Bonds would be adversely affected and the Academy could be forced to cease operations.

Pursuant to Section 18b of the State School Aid Act, in the event that the Academy (i) is ineligible to receive funding under the State School Aid Act for 18 consecutive months; (ii) the Academy’s charter is revoked; or (iii) the Academy’s charter is not reissued by the Authorizing Body, then property, including title to such property, acquired substantially with funds received from the State pursuant to the State School Aid Act is required to be transferred to the State. The State Treasurer, or his or her designee, is authorized to dispose of property transferred to the State pursuant to Section 18b of the State School Aid Act. Except as otherwise provided in Section 18b of the State School Aid Act, the State Treasurer shall deposit in the state school aid fund any money included in that property and the net proceeds from the sale of the property or interests in the property, after payment by the State Treasurer of a public school academy debt secured by the property or interest in the property.

Environmental Regulation

The Project and surrounding site are subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the owner of such Project for investigating and remediating adverse environmental conditions on or relating to the Project, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the Project. Costs incurred by the Academy with respect to environmental liability could adversely impact its financial condition and its ability to operate its school Facilities.

TAX MATTERS

General

In the opinion of the Attorney General of the State of Michigan and in the opinion of Dykema Gossett PLLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the Issuer and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy and the Issuer have covenanted to comply with all such requirements to the extent permitted by law. Bond Counsel and the Attorney General will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Additional federal tax consequences relative to the Bonds and the interest thereon include the following matters. For federal income tax purposes: (a) tax-exempt interest, including interest on the Bonds, is included in the calculation of modified adjusted gross income required to determine the taxability of social security or railroad retirement benefits; (b) the receipt of tax-exempt interest, including interest on the Bonds, by life insurance companies may affect the federal income tax liabilities of such companies; (c) the amount of certain loss deductions otherwise allowable to property and casualty insurance companies will be reduced (in certain instances below zero) by 15% of, among other things, tax-exempt interest, including interest on the Bonds; (d) interest incurred or continued to purchase or carry the Bonds may not be deducted in determining federal income tax; (e) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the Bonds; (f) interest on the Bonds will be included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States; (g) passive investment income including interest on the Bonds, may be subject to federal income taxation for S Corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporations is passive investment income; (h) holders acquiring the Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income and; (i) the receipt or accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code.

In the opinion of the Attorney General of the State of Michigan and in the opinion of Dykema Gossett PLLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the Bonds and the interest thereon are exempt from all taxation of the State of Michigan or a subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not contain proposals that could cause the interest on the Bonds to be subject directly or indirectly to federal or State of Michigan income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent the registered owners from realizing the full current benefit of the status of the interest thereon.

Tax Treatment of Accruals on Original Issue Discount Bonds

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds maturing on October 1 in the years 2016, 2021, and 2026 and April 1, 2036 (collectively, the “OID Bonds”) is sold and the amount payable at the stated redemption price at maturity thereof constitutes “original issue discount.” Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate

compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such bonds.

All registered owners of the OID Bonds should consult their own tax advisors with respect to computation of original issue discount and the allowance of a deduction for any loss on a sale or other disposition to the extent that such loss is attributable to accrued original issue discount.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds will be passed upon by Bond Counsel and the Attorney General of the State of Michigan. Copies of the approving opinion of Bond Counsel and of the Attorney General will be available at the time of the delivery of the Bonds. Certain legal matters will be passed upon for the Academy by Warner Norcross & Judd LLP, Grand Rapids, Michigan, and Winter Law Firm, Grand Haven, Michigan, co-counsel to the Academy and by Dykema Gossett PLLC, Lansing, Michigan in its capacity as counsel to the Underwriter.

UNDERWRITING

The Bonds are being purchased by the Underwriter pursuant to a bond purchase agreement at prices which, if the Bonds are sold at the prices and yields shown on the inside cover page, will result in Underwriter's compensation of \$174,800.00. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the bond purchase agreement. The bond purchase agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter. Neither the Attorney General nor Dykema Gossett PLLC will express any opinion concerning the investment quality of the Bonds, or the accuracy, completeness or sufficiency of any offering material relative to the Bonds.

LITIGATION

There is no litigation of any nature pending or threatened against the Academy to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds or the application of the proceeds thereof toward the costs of the Project, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Academy taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Bonds or the existence or powers of the Academy.

There is no litigation pending or, to the knowledge of the Academy, threatened against the Academy, wherein an unfavorable decision would adversely affect the ability of the Academy to carry out its obligations under the Installment Purchase Agreement or the Indenture or would have a material adverse impact on the financial position of the Academy.

CONTINUING DISCLOSURE

The Academy will execute and deliver a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), with respect to the Bonds. The Continuing Disclosure Agreement is made for the benefit of the registered and Beneficial Owners (as defined in the Continuing Disclosure Agreement) of the Bonds and in order to assist the Underwriter in complying with its obligations pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Continuing Disclosure Rule”). See “EXHIBIT G – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Pursuant to the Continuing Disclosure Agreement, the Academy will agree to provide, or cause to be provided, annually to designated information repositories certain quantitative financial information and operating data of the type specified in the Continuing Disclosure Agreement (the “Annual Report”); and to provide in a timely manner to designated information repositories notice of the occurrence of certain events, if material (within the meaning of the Continuing Disclosure Rule), and of any failure to provide the Annual Report when due. The Continuing Disclosure Agreement does not require that information be provided to registered owners or Beneficial Owners of the Bonds, but rather requires only that such information be provided to certain information repositories.

BONDS NOT A DEBT OF STATE

The Bonds will not constitute or create any debt or debts, liability or liabilities on behalf of the State or any political subdivision thereof, other than a limited obligation of the Issuer, nor a loan of the credit of the State or a pledge of the faith and credit of the State or of any such political subdivision, but will be payable solely from the funds provided therefor. The issuance of Bonds under the Indenture will not directly, indirectly or contingently obligate the State of Michigan, the Issuer, or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, or to make any appropriation for their payment. The Issuer has no taxing power.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the Bonds, in the State of Michigan, are securities in which all insurance companies, banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

RATING

The Bonds have not been rated and neither the Issuer nor the Academy has requested a rating agency to provide a rating on the Bonds.

FINANCIAL STATEMENTS

The financial statements of the Academy, as of and for the year ended June 30, 2005, included in this Official Statement have been audited by Brickley DeLong, PLC, independent certified public accountants, to the extent and for the periods indicated in their report thereon. Such financial statements have been included in reliance upon the report of Brickley DeLong, PLC, which has not been asked to undertake any additional review in connection with the preparation of this Official Statement. The Academy is not aware of any facts that would make the audited financial statements misleading.

MISCELLANEOUS

The Bonds are intended to be exempt securities under the Securities Act of 1933, as amended (the “1933 Act”), and the offer, sale and delivery of the Bonds does not require registration under the 1933 Act or qualification of the Indenture under the Trust Indenture Act of 1939. The Academy has agreed that, during the course of the transaction and prior to the sale of the Bonds, potential investors may ask questions of and receive answers from its representatives concerning the terms and conditions of the offering and that potential investors may obtain from it

any additional information necessary to verify the accuracy of the information furnished, in each case to the extent it possesses such information or can acquire it without unreasonable effort or expense. Any request for information may be directed to the Underwriter.

The Academy has furnished the information herein relating to itself. The Issuer has furnished the information herein relating to itself. The Underwriter has furnished the information in this Official Statement with respect to the offering prices of the Bonds and the information under the caption "UNDERWRITING."

All quotations from, and summaries and explanations of, the Indenture and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions. All references herein to the Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. This Official Statement shall not be construed as constituting an agreement with purchasers of the Bonds. The cover page, introductory statement and the attached Exhibits are part of this Official Statement. All information contained in this Official Statement, including the Exhibits, is subject to change and/or correction without notice and neither the delivery of this Official Statement nor any sale made hereunder creates any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof.

ANY STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION OR ASSUMPTIONS OR ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT AND NO REPRESENTATION IS MADE THAT ANY OF THE ESTIMATES OR ASSUMPTIONS WILL BE REALIZED.

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EXHIBIT A

WALDEN GREEN MONTESSORI

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WALDEN GREEN MONTESSORI¹

GENERAL

Walden Green Montessori (the "Academy") is a public school academy and governmental agency of the State of Michigan, organized pursuant to Part 6A of Act No. 451 of the Public Acts of 1976, Michigan Compiled Laws ("M.C.L.") Section 380.501 et. seq. (the "Revised School Code") and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. Section 450.2101 et. seq.

After twelve (12) years as a private Montessori school, the Academy began operations in 1995 as a public school academy. The Academy's mission is to follow the child and educate all children to their human potential. The Academy utilizes the Montessori system of education, which was founded by Dr. Maria Montessori over 75 years ago and incorporates current brain research and instructional practices. The Academy is currently a school of 122 students divided into multi-age groupings over five classrooms. The Academy's current school design contains one kindergarten classroom, a first/second grade classroom, a third/fourth/fifth grade classroom and a sixth/seventh/eighth grade classroom.

The Academy is governed by a volunteer Board of Directors and operates under a charter contract (the "Charter") with the Central Michigan University ("CMU") Board of Trustees, its authorizing body. The Board of Trustees recently renewed the Academy's Charter effective July 1, 2005 for a seven (7) year term expiring June 30, 2012 unless sooner terminated in accordance with the terms of the Charter (see discussion below under the caption "THE CHARTER AGREEMENT").

BOARD OF DIRECTORS

The governing body for the Academy currently consists of five (5) members. Vacancies in office are determined and filled pursuant to the provisions set forth in the Academy's Bylaws. The current Academy Board members are as follows:

Douglas McNeil, Esquire - President

Mr. McNeil currently serves as President of the Board and has served on the Board since 1996 and has been a Walden Green Montessori parent for three (3) years. Mr. McNeil is an attorney. Mr. McNeil's term expires May 9, 2009.

Carol Scherpenisse – Vice-President

Dr. Scherpenisse currently serves as Vice-President of the Board and has served on the Board since 1996 and has been a Walden Green Montessori parent for seven (7) years. Dr. Scherpenisse is a physician. Dr. Scherpenisse's term expires May 9, 2008.

Jan Smith – Secretary

Ms. Jan Smith currently serves as Secretary of the Board and has served on the Board since 1996 and has been a Walden Green Montessori parent for six (6) years. Ms. Smith is a retired teacher of thirty years. Ms. Smith's term expires May 9, 2010.

¹ Unless otherwise noted, the information contained in Exhibit A was provided by the Academy.

Terri Essex – Treasurer

Ms. Terri Essex currently serves as Treasurer of the Board and has served on the Board since 2000. Ms. Essex is a banker. Ms. Essex's term expires May 9, 2008.

Jennifer Pepper – Parent Representative

Ms. Jennifer Pepper currently serves as the Parent Representative of the Board and has served on the Board since 2002 and has been a Walden Green Montessori parent for five (5) years. Ms. Pepper is an at home mother and a certified teacher. Ms. Pepper's term expires May 9, 2007.

MISSION STATEMENT

Follow the Child & Educate to the Human Potential

The Academy's mission is to follow the child and help educate each child to their human potential. The Academy utilizes the Montessori Method by incorporating current brain research and pedagogical practices. The Academy has provided a quality Montessori education to the children and families of the West Michigan community for over twenty years. The Academy is a community of active learners with children, parents, teachers, and community members sharing in the learning process. The Academy's programs cultivate motivation, self-discipline and the love of learning in each child; qualities that will serve the children well throughout their lives.

Walden Green Montessori students are: self-directed and hardworking, knowledgeable problem-solvers, kind and considerate, service and community minded, appreciative of the arts, diverse thinkers and lifelong learners.

Montessori: Learning by Doing

The Montessori system of education was founded by Dr. Maria Montessori over 75 years ago. She created a new system of education based on her observations and the developmental stages in a child's life. She asserted that children have "sensitive periods" in their lives where they are keenly prepared for certain types of knowledge and learning. She believed that children learn best being actively immersed in developmentally appropriate activities. The Montessori philosophy emphasizes the development of the whole child; social, emotional, physical and academic. Supporters of the Montessori Method include Alexander Graham Bell, Helen Keller, Thomas Edison, Henry Ford, John Holt, Jean Piaget, and Mahatma Gandhi. Her system is now practiced all over the world.

Classrooms: The Prepared Environment

Walden Green Montessori classrooms are a place of beauty and order that physically embody the school's curriculum. The Montessori philosophy asserts that a child will only achieve an intrinsic sense of order and self-discipline when environmental boundaries are well-defined and choices are given within those boundaries.

Walden Green Montessori instructors are the facilitators of a living curriculum and thriving classroom environment. They are the creators of a uniquely prepared classroom that is designed to guide a child toward independence, self-discipline and mastery. It is their duty to help lead the child toward becoming an independent learner and a productive human being. It is the goal of the Walden Green Montessori staff to instill in every child the love of learning and the tools to achieve.

FACILITIES

The Academy serves grades K through 8, and currently operates from an 8,000 square foot facility located at 17771 W. Spring Lake Road, Spring Lake, Michigan 49456. The Academy's 122

students are divided into multi-age groupings over five classrooms. The Academy's current school design contains one kindergarten classroom, a first/second grade classroom, a third/fourth/fifth grade classroom and a sixth/seventh/eighth grade classroom. The Academy intends to sell its current facility, which is subject to a mortgage lien for the benefit of Republic Bank, located at 17771 West Spring Lake Road, Spring Lake, Michigan. At such time the Academy will move into its new facility to be located at 17339 Roosevelt Road, Spring Lake, Michigan.

CURRICULUM

Follow the Child

Montessori believed that educators must "follow the child" and provide an educational program based on each child's unique needs and abilities. Montessori stated that "the hands are the instruments of man's intelligence." Our curriculum and "hands on" Montessori equipment are designed to meet the child's natural tendency and inclination to learn, explore and act on one's environment. Children work at their own skill and ability level regardless of age or grade. Skills and materials are introduced and the child's imagination and interest lead to further exploration. Our open-ended curriculum allows children to succeed as individuals and to their utmost potential.

Walden Green Montessori offers a challenging and engaging curriculum in mathematics, language arts, science, cultural subjects and practical life. Our curriculum blends the Michigan Curriculum Framework, The Core Knowledge Sequence and the Montessori Curriculum to provide a comprehensive educational experience. In addition to our core curriculum all students are engaged in art, music and Spanish.

Children's House: Kindergarten

The Children's House is an environment of sensory exploration and self-development for kindergarten age children. At this age, the intrinsic goal of the child is the development of the self. It is an age of dramatic physical growth and the development of the senses. These sensorial explorers have the need to do things for themselves. Montessori asserted that "every useless help to the child is an obstacle to development." The classroom environment is designed to encourage children to interact and explore their environment. The primary goals are to develop order, refine movements, learn grace and courtesy, develop the personality, build confidence and create the foundation for a life of learning.

Language: The formal acquisition of language is of primary focus to both teacher and child in the Children's House. Children begin to absorb language rapidly and increase their vocabularies daily. Children are formally introduced to letter sounds with the use of the Sandpaper Letters. Children trace the shape of the letter and are introduced to its sound. When the child is prepared, letter sounds are put together to form words with the Moveable Alphabet. The child then explores a variety of whole word and phonetic exercises. Writing begins with learning to control the pencil. Children trace the Metal Inset of geometric shapes to strengthen fingers and become more precise with the pencil. Once proper hand control is achieved, the child is prepared to do a variety of writing activities throughout the classroom.

Math: The Math curriculum is filled with concrete activities that develop an understanding of our number system and the basic operations. If an ease and confidence with the fundamentals of numerals can be developed at an early age, the children will more easily assimilate more abstract mathematical thought later in their education. Children learn counting, quantities, work with clocks, fractions and the basic four operations of addition, subtraction, multiplication and division. Equipment and activities include the Golden Beads, Number Board, Addition Strip Board and Colored Bead Bars. With this equipment children are able to complete mathematical tasks in a sound, enjoyable fashion. The goal is to provide a solid, concrete foundation to enhance later mathematical exploration.

Cultural: The cultural area includes history, geography, science, the arts and Spanish. In geography, children begin to study the seven continents with the Montessori globes and puzzle maps. Children are also presented with introductory information on plants, animals, landforms, cultures and the world. While many of these activities are cultural in nature, a secondary goal is to provide children with new vocabulary and develop a sense of awe about their world. The arts are an integral part of the Children's House experience. Through visual arts, children are allowed to express themselves artistically while learning the basic techniques of line, form and color.

Sensorial: In the sensorial area, children are provided a variety of activities to develop their senses. Montessori believed that environment and curriculum in the Children's House was absorbed through the child's eyes, ears, sense of taste, sense of smell and sense of touch. Activities are provided to enhance the senses and to help develop the child's power of concentration and order. Equipment and activities include the Pink Tower, the Brown Stair, Color Plates, Sound Boxes and Binomial Cube. With the use of the equipment, a child learns to discern weight, texture, form and color. Also, with repeated use a child gains confidence and refines motor skills.

Practical Life: The Practical Life curriculum is designed to let children explore real life activities. The goal of these exercises is to develop life skills, order, concentration, coordination, confidence, attention to detail and good work habits. Activities include buttoning, tying, washing dishes, food preparation, polishing, flower arrangement, care of the classroom and care of oneself. Children are provided with meaningful activities and important work to be done right along side a child who may be completing a complex math problem. It is of the utmost importance that children learn to work productively in a classroom and that the work becomes intrinsically satisfying.

Elementary Grades One through Five

The Elementary classrooms are designed to feed the child's hungry intelligence and to nurture the child's new found ability to reason and explore. During the elementary years, children truly begin to develop their sense of wonder and excitement about the world. They are eager to learn and knowledge comes alive. The acquisition of reading skills is of the utmost importance for it allows for the greater absorption of the world. Integrated units are used to enrich studies and demonstrate the interconnectedness of materials. Lessons are designed to be memorable and to strike the imagination. The elementary students are divided into two classrooms. The Primary Classroom for children in first and second grades and the Pathfinder Classroom for children in third through fifth grades.

Language: The formal study of language begins with the elementary student. Children begin the study of language with the Great Lesson on the history of language and how it has affected society. This becomes a continuous theme and common thread at each level of language exploration and acquisition. Throughout the elementary years, grammar is stressed. This study includes the nine parts of speech, verbs and verb conjugation, punctuation and spelling. Sentence and paragraph structure is stressed. Children are also involved in a variety of interesting activities, including creative writing, technical writing and journaling.

Reading is of fundamental importance during the elementary years. Our goal is that each child will become a fluent and confident reader and also a person who enjoys reading. The Montessori phonic and whole word approach is used at the beginning levels. Children are involved in a variety of hands-on phonetic, whole word and vocabulary-building activities. The *Houghton Mifflin, The Nation's Choice* program for reading is also used to reinforce skills and build comprehension.

Math: The study of mathematics begins with the Great Lesson on the development of numerals. The elementary math curriculum uses the Montessori equipment to teach math, geometry and algebra in a concrete way. Lessons on specific skills move from the concrete to the abstract. Children use the Golden Beads, Stamp Game, Colored Bead Bars and Fraction Insets to learn our base ten system, the four operations and other forms of foundation math. Older children use the Checkerboard, Test Tube

Division, Geometric Stick Box and the Pythagoras Box to solve more complex mathematical functions. Problem solving and process are stressed.

Cultural: During the elementary years, the child is immersed in a rich cultural curriculum. At the core of the cultural curriculum is a comprehensive study of history. The study begins with prehistory and the fundamental needs of man; next, the children explore the ancient civilizations; and, finally, a study of history from colonization through the civil war with an emphasis on American history. Children explore the integrated curriculum with Montessori equipment, literature, field trips and special projects.

In geography, children work with the Montessori puzzle maps to learn the states and the countries of the world. A large emphasis is placed on physical geography in the early years. Children explore all the landforms and discover how they shaped different cultures. Cultural geography is stressed during the later elementary years.

Science: A varied and exciting scientific exploration is offered at the elementary levels. Children begin with a concrete experience in botany and zoology using simple nomenclature to learn the parts and scientific names of different plants and animals. Later exploration is introduced in the middle and later elementary years. Emphasis is placed on Montessori's belief that science is a way of understanding our natural environment in order to improve and better the world.

Practical Life/Community Service: The practical life and community service activities are designed to teach life skills and civic responsibility. Practical life activities are meaningful, because they can be connected to real life experience. Planting a garden, food preparation, cleaning, repair work or learning a craft such as sewing are all part of the practical life curriculum.

Community service activities provide a solid base for the older years, where children are involved not only with the care of their classroom but the care of the school and outside community. Children are involved in tutoring and volunteer work in the school and community. Activities include flag raising, recycling, planting flowers and helping out in the community. Older children also donated time to local charities. Other practical life studies include cooking and physical education.

Middle School Grades Six through Eight

The middle school design is an integration of the current research in human development, the trends and issues in education and the Montessori philosophy. The mission of this program is to provide opportunities for adolescents to be self confident and gain self knowledge, to belong to a community, to learn to be adaptable, to be academically competent and challenged and to create a vision for their personal future; thus to empower early adolescents.

Adolescence is an age of dramatic physical growth, emotional development and expanding powers of the mind. Montessori referred to adolescents as "humanistic" explorers because during this plane of development children need to explore the community and the society which they are preparing to enter. Current research asserts that these young adults need to be in a small, safe community of learners. Our adolescent program provides a home for the development of the self and exploration of the world which are essential for the construction of a healthy adult.

Each year there are five cycles of work followed by an immersion week for the land laboratory. Each cycle is five weeks. At the beginning of each cycle, students complete a contract identifying the work they are going to accomplish during the cycle. At the end of the fifth week, there is a written self-assessment of the thematic project work. The cycle format is designed to help students learn organizational, decision-making, and time-management skills. Students keep a graph of the work completed each week. If an appropriate amount of work has not been completed (usually 20%) each week, students have the opportunity to catch up in study hall on Friday.

Outdoor Education Land Laboratory/Erdkinder

"Men with hands and no head, and men with head and no hands are equally out of place in the modern community.....Therefore the work on the land is an introduction both to nature and civilization and gives a limitless field for scientific and historic studies.....The rural atmosphere offers students a kind of 'place apart'-- a safe and healthy environment to promote their transition to adulthood." –Maria Montessori

Montessori felt that economic independence was as important to the development of the adolescent as personal independence (dressing and feeding themselves) is to the development of the 3 year-old. The land gives them the opportunity to explore the entire economic cycle. The students could be responsible for not only growing and selling the produce grown on the land, but all the billing and accounting as well. The money could be invested back into the land or put towards other projects.

Dr. Montessori envisioned an Erdkinder (translated as children of the land) as the best environment for adolescents to study and work. Montessori called it a "school of experience in the elements of social life". The 7th and 8th grade students spend 4 days every sixth week of school at Camp Geneva for their Land Laboratory. The students will study the ideas of permaculture and sustainable communities. Students develop a strong sense of community working together on meals, maintaining the environment, working on needed projects, and having time to participate in the change in rhythm of living in harmony with nature. Students also have time for academic pursuits and apply their knowledge of astronomy, geology, biology, ecology, history, math, and geometry to real-life situations. The students choose a project of interest in which to plan and build using academic knowledge they have acquired in the classroom. Projects are done in groups, allowing the students to work with others towards a common goal.

Academic Courses

The Walden Green Middle School courses of study reflect an integration of the Michigan requirements of essential elements, the newest research on the developmental needs of early adolescents, the Montessori philosophy, the state of the art in current learning theory, and the predictions of the skills needed for a productive life in the twenty-first century.

The curriculum and instruction is designed as a two-year program in which students earn 16 units of credits. The language, speech, Spanish, physical education, outdoor education, service learning, and fine arts are courses of continuous progress. The science, social studies, geography, health and math are studied by topics or concepts.

THE PROJECT

Walden Green Montessori will build a new building that will be child centered, cost effective, and environmentally responsible. The construction plans are to build a 24,000 square foot school facility in two phases:

Phase One: A 15,000 square foot building and will include a classroom wing, commons, kitchen, and offices.

Phase Two: An additional 9,000 square feet and will include a music room, gymnasium and middle school.

Phase One is expected to be completed in November 2006 (the "Project") and Phase Two is expected to be completed by 2009. The cost to complete Phase Two is expected to be between \$1.5 million and \$2.0 million. Upon completion of Phase One, the Academy will begin a Capital Contribution Campaign to raise funds to pay all or a portion of the costs of the Phase Two project.

THE CHARTER AGREEMENT

The Academy operates under a charter contract (the "Charter") with the Central Michigan University ("CMU") Board of Trustees, its authorizing body. As such, CMU is responsible for overseeing the Academy in complying with its Charter and other applicable state and federal laws pertaining to Michigan charter schools. CMU receives 3% of the Academy's state aid funds for providing such oversight and acting as the Academy's fiscal agent. As a matter of Michigan law, decisions to renew or not renew the Academy's Charter are in the sole discretion of the CMU Board of Trustees (the "CMU Board"). The Academy's Charter may be terminated, suspended or revoked by CMU at any time prior to the expiration of the charter term. On September 23, 1997, the Attorney General of Michigan issued a formal opinion that an authorizing body's decision to revoke a charter or decline to renew a charter for the operation of a public school academy is not subject to judicial review under State law.

Under the terms and conditions of the Charter, the Charter may be revoked by the CMU Board upon a determination by the CMU Board that one or more of the following statutory grounds for revocation has occurred:

- a) Failure of the Academy to abide by and meet the educational goals set forth in the Charter; or
- b) Failure of the Academy to comply with all state and federal law applicable to public school academies ("Applicable Law"); or
- c) Failure of the Academy to meet generally accepted public sector accounting principles; or
- d) The existence of one or more other grounds for revocation as specified in the Charter.

In addition to the statutory grounds for revocation set forth above, the CMU Board may also revoke the Charter, pursuant to procedures set forth in the Charter, upon a determination by the CMU Board that one or more of the following has occurred:

- a) The Academy is insolvent, has been adjudged bankrupt, or has operated for two or more school fiscal years with a fund balance deficit; or
- b) The Academy has insufficient enrollment to successfully operate a public school academy, or the Academy has lost more than 50% of its student enrollment from the previous school year; or
- c) The Academy defaults in any of the terms, conditions, promises or representations contained in or incorporated into the Charter; or
- d) The Academy files amendments to its Articles of Incorporation with the Michigan Department of Labor and Economic Growth, Bureau of Commercial Services without first obtaining CMU Charter School Office approval; or
- e) The CMU Charter Schools Office Director discovers grossly negligent, fraudulent or criminal conduct by the Academy's applicant(s), directors, officers, employees or agents in relation to their performance under the Contract; or
- f) The Academy's applicant(s), directors, officers, employees or agents have provided false or misleading information or documentation to the CMU Charter School Office in connection with the CMU Board's approval of the Charter application, the issuance of the Charter, or the Academy's reporting requirements under the Charter or applicable law.

The Charter also provides that CMU may immediately suspend the Charter, pending completion of procedures set forth in the Charter pertaining to revocation of the Charter, if the CMU Charter School Office Director determines that probable cause exists to believe that the Academy:

- a) Has placed staff or students at risk; or
- b) Is not properly exercising its fiduciary obligations to protect and preserve the Academy's public funds and property; or
- c) Has lost its right to occupancy of the physical facility for the Academy and cannot find another suitable physical facility for the Academy prior to the expiration or termination of its right to occupy its existing physical facilities; or
- d) Has failed to secure or lost the necessary fire, health and safety approvals as required by the Charter; or
- e) Has willfully or intentionally violated the Charter or Applicable Law; or
- f) Has violated the requirements described in (e) and (f) of the section immediately above (regarding revocation).

The Charter provides procedures pursuant to which the Charter may be revoked by the CMU Board. Those procedures require the CMU Charter School Office to issue a notice of intent to revoke notifying the Academy of CMU Charter School Office's reasonable belief of grounds for revocation. The Academy's Board has 30 days to respond in writing, and must include a plan for correcting any admitted non-compliance. Within 15 days of receipt of the Academy's response, CMU Charter School Office formulates its own plan of correction, and in so doing may adopt, modify or reject some or all of the plan proposed in the Academy's response. The revocation proceedings are closed if (i) the Academy Board's denial of non-compliance is persuasive, (ii) the non-compliance has been corrected by the Board, or (iii) the Academy has successfully completed the plan of correction. CMU Charter School Office Director may initiate a revocation hearing before a CMU Charter Schools Hearing Panel ("Hearing Panel") if none of these conditions are met, or if CMU Charter School Office determines that a plan of correction cannot be formulated, or if the Academy has been issued multiple or repeated notices of intent to revoke. The Hearing Panel convenes within 30 days after the hearing and makes a recommendation concerning revocation which is submitted to the CMU Board. The CMU Board may approve, reject or modify all or any part of the Hearing Panel's recommendation. If the CMU Board votes to revoke the Charter, the revocation may be immediately effective, and there is no appeal process provided. The CMU Charter School Office Director may also immediately suspend the Charter (upon a determination that one of the grounds set forth above exists) pending completion of the revocation procedures described above. In addition, the Hearing Panel may immediately convene a revocation hearing in accordance with the above described procedures and has the authority to accelerate the time line for revoking the Charter with five (5) days notice to the Academy Board, and may recommend revocation of the Charter if the Hearing Panel determines that the Academy Board has continued to engage in conduct or activities that are covered by the suspension notice.

ENROLLMENT

After twelve (12) years as a private Montessori school, the Academy began operations in 1995. Walden Green Montessori is currently a school of 122 students divided into multi-age groupings over five classrooms. The Academy's current school design contains one kindergarten classroom, a first/second grade classroom, a third/fourth/fifth grade classroom and a sixth/seventh/eighth grade classroom.

Walden Green Montessori is a Michigan Public School Academy open to all Michigan residents and is tuition free. The State of Michigan School Code provides for equal access to a public education for

all students, regardless of "intellectual or athletic ability, measures of achievement or aptitude and status as a handicapped person."

Walden Green Montessori holds an open enrollment period in the Spring of each year for admission during the following academic year. If the number of applications total more than the open positions available a lottery is held to select applicants for admission. Those applicants **not** admitted during the lottery are placed on a waiting list and admitted if/when a position becomes available.

The following table sets forth data provided by the Academy regarding its historical and projected enrollment.

TABLE 1: Historical and Projected Enrollment

Grades	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
K	15	15	15	22	28	28	28	28	28	28
1 st -2 nd	26	26	22	25	56	56	56	56	56	56
3 rd -4 th	28	29	26	28	42	56	56	56	56	56
5 th -6 th	15	20	26	22	28	28	42	56	56	56
7 th -8 th	10	13	22	23	28	28	28	28	42	56
9 th	1	3	-	--	--	--	--	--	--	--
Totals:	96	106	111	120	182	196	210	224	238	252

Source: In 2004-05, the Academy no longer offered 9th Grade due to curriculum and philosophical reasons. Data presented for 2002-03 through 2005-06 is actual data as of the beginning of those school years. Data presented for 2006-07 through 2011-12 is projected by the Academy.

* The Academy's Charter currently limits the Academy's maximum enrollment to 220 full-time students. In connection with the school facilities expansion, the Academy will apply to CMU for an increase in the maximum enrollment to accommodate the projected enrollment. The enrollment numbers for school years 2006-07 through 2011-12 are based on projected numbers as of the beginning of those school years and are not state membership calculations.

WAITING LIST

Each year after the school lottery all additional applicants are placed on a waiting list. The waiting list remains current for one year and at that time the applicants on the waiting list need to re-enroll. On average the school has twenty-four openings per year. For those twenty-four openings the school receives on average sixty-one applications for admittance.

TABLE 2: Applications Received and Number of Open Positions

	2003-2004	2004-2005	2005-2006	2006-2007	Average
Applications	58	63	63	60*	61
Openings	22	27	27	76	38

* As of May 10, 2006, applications are still being accepted.

A large portion of the openings for admission are for kindergarten, which is the Academy's primary source of new applicants each year.

TABLE 3: Waiting List by Classroom¹

Grades	Average Number of Applicants	Percent of New Applicants
K	25	42%
1st-2nd	16	26%
3rd-4th	10	16%
5th-6th	7	11%
7th-8th	3	5%

¹ Based on the past three academic school years.

Current enrollment trends demonstrate that the Academy attracts the most applicants at our lower grade levels. This is advantageous because both school philosophy and the Montessori Method stress that early training is essential to a successful Montessori experience.

STUDENT RETENTION

Student retention is a cornerstone of a successful school community. While the Academy's student retention rate has been consistently high, the past few years the Academy has experienced significant improvement. Over four years the Academy's student retention has climbed from eighty-four percent (84%) in 2002-03 to ninety-eight percent (98%) in each of the last two academic years.

TABLE 4: Rate of Retention by Academic Year

2002-2003	84%
2003-2004	92%
2004-2005	98%
2005-2006	98%

SERVICE AREA AND COMPETING SCHOOLS

The majority of the Academy's students reside in the County of Ottawa. The Academy also serves students from the County of Muskegon. There are four (4) public schools and one charter school within approximately 5 miles of the Academy's new location in Ferrysburg, Michigan with similar grade offerings as the Academy, which the Academy views as competing with it with respect to enrollment of students:

Public Schools:

- Grand Haven Public Schools
- Spring Lake Public Schools
- Fruitport Community Schools
- Mona Shores Public Schools

Charter Schools:

- West Michigan Academy of Arts and Academics, located in Ferrysburg, Michigan

Due to a legislative "cap" on the number of charter schools that can be authorized by state universities, there is limited charter school competition expected in the near future. Universities have been the most active authorizers. However state universities have in the past offered charters to new applicants from charters that have been relinquished either voluntarily or involuntarily by existing charter

schools, and hence there be no assurance that such a charter would not be granted in the future to a public school academy that may compete with the Academy.

Regarding community college authorizers, in the past three (3) years, Bay Mills Community College ("BMCC") has been the most active authorizer in the State. BMCC may authorize charter schools anywhere throughout the State of Michigan except within the boundaries of the Detroit Public Schools.

Other community colleges and intermediate and local public school districts may also authorize charter schools within their district boundaries. To date, 219 charter schools have been authorized in Michigan by various authorizers.

ACCREDITATION

Adequate Yearly Progress ("AYP") is one of the cornerstones of the Federal No Child Left Behind (NCLB) Act. In Michigan, a measure of year-to-year student achievement on the Michigan Education Assessment Program (MEAP) test. According to NCLB, Michigan and other states must develop target starting goals for AYP and the state must raise the bar in gradual increments so 100 percent of the students in the state are proficient on state assessments by the 2013-14 school year. AYP applies to each district and school in the state; however, NCLB sanctions for schools that do not make AYP for two or more years in a row, only apply to those districts and schools that receive Title I funds. The Academy does not accept Title I funds. Walden Green Montessori is fully accredited from the State of Michigan. The Academy has met *Adequate Yearly Progress* in 2003, 2004 and 2005 as required by the Federal No Child Left Behind Act.

The tables below detail the individual scores that gave the Academy the composite grades. The Composite grade is the overall grade for the school, arrived at by combining student achievement, indicators of school performance and AYP status. When data is available, it combines results over 2 or 3 years. A score and grade is assigned for each content area that is part of the Report Card. The score is calculated on a common school grading scale with 90-100 as an A. The score is based on achievement status, with the score averaged with the adjusted change score to yield the score and grade for the subject area.

Adequate Yearly Progress Status					
Made AYP Overall	ELA Achievement	Math Achievement	ELA Participation	Math Participation	Attendance
Yes	N/A	Yes	N/A	N/A	N/A

N/A = No determination in these categories was given as there were too few children to adequately evaluate, as dictated by the Michigan Department of Education.

AYP Goals	English Language Arts		Mathematics	
	Elementary	Middle School	Elementary	Middle School
Walden Green	100%	100%	87%	75%
State Objective	38%	31%	47%	31%

Under **Education YES!** Michigan schools receive traditional letter grades for yearly achievement. Grades are given in the following areas: Michigan Education Assessment Program achievement status, achievement change, achievement growth, indicators of engagement, indicators of instructional quality, indicators of learning opportunities and an overall composite grade. The Academy received an "A" in all categories from the State of Michigan under the *Education Yes Act*.

Elementary School Education YES! Status			
ELA Achievement	Math Achievement	Performance Indicator	Composite Grade
A	A	A	A
Middle School Education YES! Status			
ELA Achievement	Math Achievement	Performance Indicator	Composite Grade
N/A	N/A	N/A	N/A
Performance Indicator	Composite Grade	School Improvement Status	
A	No Grade	Not identified for School Improvement	

N/A or No Grade = No determination in these categories was given as there were too few children to adequately evaluate, as dictated by the Michigan Department of Education.

The Walden Green Montessori School Improvement Plan is based on the results of the 2005 MEAP assessment. Based upon these results areas for improvement were identified and goals and objectives were generated in six academic areas: Reading, Writing, Mathematics, Social Studies, Science and Technology. All our efforts will be directed to achieve our goals by June of 2007.

The school improvement team has established an action plan in the form of Improvement Strategies for each targeted academic goal and objective. Professional development will be provided to the appropriate staff members as the need arises. Additional Improvement Strategies will be added as necessary. The school improvement team will monitor progress. The team will meet on a monthly basis to analyze the effectiveness and generate new ideas to aide in the school improvement process.

The primary focus of our plan is to 1) Identify those students that are in need of additional instruction and provide extended learning opportunities and 2) Align our current Montessori Curriculum and Core Knowledge Sequence with the Michigan Core Curriculum. This is the first year of this school improvement plan.

MICHIGAN EDUCATIONAL ASSESSMENT PROGRAM – STUDENT ASSESSMENT DATA

The Michigan Educational Assessment Program (MEAP) measures student performances against state standards in reading, writing mathematics, science and social studies. During the 2004-05 school year, the Academy's fourth, fifth, seventh and eighth graders took the MEAP in January and February 2005. During the fall of 2005, the Academy's third through eighth graders were assessed using MEAP.

The Academy is committed to instructional excellence with results and is committed to excellence as an experience that integrates the efforts of children, staff and parents. The Academy's goal is to continually improve the learning community with child-centered best practices and instructional methods. The Academy believes that its successes are more evident and fruitful when it educates with the development of the "whole child" in mind.

The Academy's most visible measurement of student success are the results of the Michigan Education Assessment Program (MEAP). This assessment measures student achievement as aligned to the Michigan Core Curriculum.

The MEAP assesses students in mathematics, language arts, science and social studies. The following chart compares Walden Green Montessori with students from Ottawa County and the State of Michigan.

WaldenOttawaMichigan**Third Grade**

Language Arts	2005	86%	84%	78%
	2004	No Assessment		
	2003			
Math	2005	100%	93%	87%
	2004	No Assessment		
	2003			

Fourth Grade

Language Arts	2005	100%	83%	76%
	2004	100%	70%	64%
	2003	82%	65%	59%
Math	2005	100%	90%	82%
	2004	87%	81%	73%
	2003	82%	76%	65%

Fifth Grade

Language Arts	2005	100%	84%	75%
	2004	No Assessment		
	2003			
Math	2005	91%	85%	73%
	2004	No Assessment		
	2003			
Science	2005	100%	88%	77%
	2004	100%	86%	78%
	2003	100%	86%	77%

Sixth Grade

Language Arts	2005	100%	81%	73%
	2004	No Assessment		
	2003			
Math	2005	91%	79%	65%
	2004	No Assessment		
	2003			
Social Studies	2005	100%	88%	78%
	2004	No Assessment		
	2003			

Seventh Grade

Language Arts	2005	100%	83%	73%
	2004	100%	67%	57%
	2003	60%	69%	58%
Math	2005	93%	75%	60%
	2004	76%	75%	63%
	2003	63%	66%	52%

Eighth Grade

Language Arts	2005	100%	80%	69%
	2004	No Assessment		
	2003			
Math	2005	89%	76%	63%
	2004	No Assessment		
	2003			
Science	2005	100%	89%	77%
	2004	100%	78%	66%
	2003	76%	77%	65%

Source: Michigan Department of Education and Ottawa County Intermediate School District.

CHARTER SCHOOL COMPARISON

Central Michigan University charters 57 public school academies in the State of Michigan serving over 27,000 students. The following information contains a ranking among Central Michigan University's charter schools and was provided by the CMU Charter Schools Office.

Walden Green Montessori Versus CMU Charter Schools				
	2003		2004	
Assessment	Score	Rank	Score	Rank
Language Arts	82%	2	100%	1
Mathematics	82%	5	87%	5
Science	100%	1	100%	1
Social Studies	60%	1	60%	1

	<u>2005</u>	<u>Score</u>	<u>Rank</u>
Third Grade			
Language Arts		86%	10
Math		100%	1

Fourth Grade			
Language Arts		100%	1
Math		100%	1

Fifth Grade			
Language Arts		100%	1
Math		91%	6
Science		100%	1

Sixth Grade			
Language Arts		100%	1
Math		91%	4
Social Studies		100%	1

Seventh Grade			
Language Arts		100%	1
Math		100%	1

Eighth Grade			
Language Arts		To Few Students Assessed	
Math			
Science			

Source: Central Michigan University Charter School Office.

LOCAL & STATE COMPARISONS

Each year as a tool for measuring student success Walden Green Montessori's MEAP achievement is measured against local and state MEAP achievement. The following MEAP information is a comparison of Walden Green Montessori's student MEAP Achievement with that of students in Ottawa County and the State of Michigan.

Overall MEAP Achievement			
	2003	2004	2005
Walden Green Montessori	74%	85%	97%
Ottawa County	64%	67%	84%
Michigan	54%	57%	74%

Source: Ottawa County Intermediate School District.

STATE AID PAYMENTS

The Academy's principal source of revenue is a per-pupil base foundation allowance received from the State pursuant to the State School Aid Act of 1979 M.C.L. Section 388.1601 et. seq. Payments are sent directly to CMU, which forwards the payments to the Academy, minus a 3% authorizer fee. As part of the transaction involving the issuance of the Bonds, and pursuant to the State Aid Agreement, the Academy has directed that the State School Aid funds to be received by the Academy in each fiscal year from the State of Michigan in an amount approximately equal to 1/11 of annual principal and interest payments scheduled on the Bonds plus 1/11 of the Scheduled Fee Payments on or before the 20th of each January, February, March, April, May, June, July, August, October, November and December be paid directly to the Trustee; provided, however, that not more than twenty percent (20%) of the State School Aid funds to be received by the Academy for such fiscal year may be used to make payments on the Bonds and any additional bonds issued under the Indenture (as defined in this Official Statement).

The following table shows the per-pupil base foundation allowance that public school academies received for the 2000-01 through 2004-2005 school years. It also shows the maximum foundation allowance that the Michigan Legislature allowed public school academies for those years (the table does not show the amount of the payments the Academy actually received during those years). The Academy received the maximum foundation allowance in each of the years presented in the table below, and also received additional amounts based upon the at-risk student population of the Academy within a given school year. See "RISK FACTORS" in forepart of this Official Statement for additional information, including appropriation, reduction and termination of State School Aid funds.

TABLE 5: Per Pupil Basic Foundation Allowance

Fiscal Year	Basic Foundation Allowance Per Pupil	Public School Academy Maximum Foundation Allowance Per Pupil
2000-01	\$6,000	\$6,000
2001-02	\$6,300	\$6,300
2002-03	\$6,700	\$6,700
2003-04	\$6,700	\$6,700
2004-05	\$6,700	\$6,700
2005-06	\$7,175	\$7,175

Source: The Academy, from information published in the Michigan School Aid Act and published by the Michigan House and Senate Fiscal Agencies.

OTHER BORROWING

The Academy does not anticipate issuing a state aid anticipation note pursuant to Section 1225 of the Revised School Code to provide for operating costs for either the 2005-06 or 2006-07 school years. The Academy has the right to borrow and pledge State School Aid for operating purposes in the future.

FEDERAL/STATE FUNDING

Public school academy students are similar to public school students for the purpose of eligibility for federal entitlement programs. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow.

BUDGET PROCESS AND INFORMATION

The Academy's Board of Directors is responsible for establishing, approving and amending an annual budget in accordance with the Uniform Budgeting and Accounting Act, M.C.L. 141.421, et. seq. The Board must submit to the CMU Charter Schools Office a copy of its annual budget for the upcoming fiscal year in accordance with the Master Calendar of Reporting Requirements adopted by the Charter School Office. The budget must detail budgeted expenditures at the object level as described in the Michigan Department of Education's Michigan School Accounting Manual. The Academy's Board of Directors is also responsible for approving all revisions and amendments to the annual budget.

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Set below is (1) a table of historical fund balances of the Academy (2) the 2005-06 General Fund Budget, and (3) the Academy's projected revenues and expenses. The information presented for the School Years ended June 30, 2000 through 2005 is actual data presented by the Academy, and for the School Years ending June 30, 2006 through 2012 is projected information provided by the Academy, which is based upon certain assumptions made by the Academy. The projections are derived from the actual operation of the Academy and from the Academy's assumptions about student enrollment and expenses.

TABLE 6: Historical Audited General Fund Balance

June 30	Fund Balance
2001	\$204,898
2002	247,012
2003	242,964
2004	281,049
2005	309,677

TABLE 7: General Fund Budget
WALDEN GREEN MONTESSORI
General Fund Budget
Fiscal Year 2005-2006

	<u>As Amended</u>
Revenue:	
State Aide	\$ 840,000
Special Education	40,000
Local	<u>80,000</u>
Total Revenues	<u>\$ 960,000</u>
Expenditures:	
Elementary	\$ 552,000
Special Education	41,000
Board of Education	16,500
Administrative	193,000
Business Service	12,000
Maintenance	62,500
Facilities Acquisition	<u>44,000</u>
Total Expenditures	<u>\$ 921,000</u>
Excess of Revenue Over (Under) Expenditures	\$ 39,000
Other Financing Sources (Uses):	
Outgoing Transfers	<u>\$ (34,500)</u>
Total Other Financing Sources (Uses):	<u>\$ (34,500)</u>
Excess of Revenue Over (Under) Expenditures & Other Financing Sources (Uses)	<u>\$ 4,500</u>
 Fund Balance - Beginning July 1 (Audited)	 <u>309,677</u>
 Fund Balance - Ending June 30 (Estimated)	 <u><u>\$ 314,177</u></u>

TABLE 8: Projected General Fund Budget 2007 through 2012

	2007	2008	2009	2010	2011	2012
Revenues						
State Funding	1,194,000	1,381,000	1,481,000	1,582,000	1,682,000	1,782,000
Special Education	40,000	41,000	42,000	43,000	44,000	45,000
Extended Care	20,000	21,000	22,000	23,000	24,000	25,000
Fundraising	20,000	20,000	20,000	20,000	20,000	20,000
Total Revenues	1,274,000	1,463,000	1,565,000	1,668,000	1,770,000	1,872,000
Expenditures						
Instruction						
Salaries	468,000	514,000	579,000	630,000	665,000	701,000
Benefits	115,000	131,000	150,000	163,000	173,000	180,000
Leasing Company	24,000	26,000	30,000	32,000	34,000	36,000
Foreign Language	10,000	11,000	12,000	13,000	14,000	15,000
Music Instruction	8,000	9,000	11,000	12,000	13,000	14,000
Teaching Supplies	6,000	7,000	8,000	9,000	10,000	11,000
Staff Education	15,000	10,000	5,000	5,500	6,000	6,500
Equipment	2,000	3,000	4,000	5,000	6,000	7,000
Total	648,000	711,000	799,000	869,500	921,000	970,500
Special Education						
Salaries	40,000	41,000	42,000	43,000	44,000	45,000
Equipment	1,000	1,500	2,000	2,500	3,000	3,500
Total	41,000	42,500	44,000	45,500	47,000	48,500
Board of Education						
Attorney	5,000	6,000	7,000	8,000	9,000	10,000
Audit	10,000	10,500	11,000	11,500	12,000	12,500
Total	15,000	16,500	18,000	19,500	21,000	22,500
Administrative						
Salaries	114,000	120,000	126,000	132,000	138,000	145,000
Benefits	34,000	35,000	35,000	36,000	36,000	37,000
Leasing Company	2,000	2,000	3,000	3,000	4,000	4,000
Advertising	6,000	6,000	6,000	6,000	6,000	6,000
Association Dues	3,000	3,500	4,000	4,500	5,000	5,500
Contingency	5,000	5,000	5,000	5,000	5,000	5,000
Equipment	2,000	3,000	3,000	3,500	4,000	4,500
Insurance	18,000	18,000	19,000	19,000	20,000	20,000
Oversight Fee	35,000	41,000	44,000	47,000	50,000	53,000
Printing & Postage	4,000	5,000	6,000	7,000	8,000	9,000
Program Expense	10,000	10,000	10,000	10,000	10,000	10,000
Staff Education	2,000	2,500	3,000	3,500	4,000	4,500
Total	235,000	251,000	264,000	276,500	290,000	303,500
Maintenance						
Cleaning Services	20,000	21,000	22,000	23,000	24,000	24,000
Lawn Care	4,000	4,000	5,000	5,000	6,000	6,000
Supplies	11,000	11,500	12,000	12,500	13,000	13,500
Telephone	5,000	5,500	6,000	6,500	7,000	7,500
Utilities	40,000	42,000	45,000	48,000	50,000	53,000
Total	80,000	84,000	90,000	95,000	100,000	104,000
Subtotal Expenditures	1,019,000	1,105,000	1,215,000	1,306,000	1,379,000	1,449,000
Debt Service/Building	121,000	240,100	281,838	305,044	311,969	313,381
Total Expenditures	1,140,000	1,345,100	1,496,838	1,611,044	1,690,969	1,762,381
Revenues/Expenditures	134,000	117,900	68,162	56,956	79,031	109,619
Fund Balance 309,677	443,677	561,577	629,739	686,695	765,726	875,345

NET DEBT SERVICE AND COVERAGE

\$4,370,000

Michigan Public Educational Facilities Authority

Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006

Net Debt Service Schedule & Coverage*

Date	Principal Redemption	Interest	Total P+I	On-Going Bond Expenses	Capitalized Interest / DSR	Net Debt Service	Coverage	20% Gross State Aid	Gross State Aid **	State Aid Per Pupil	Blended Pupil Count
10/01/2006	-	99,322.92	99,322.92	4,836.01	(99,322.92)	4,836.01	34.72	167,895	839,475	7,175	117
10/01/2007	-	238,375.00	238,375.00	8,462.50	-	246,837.50	1.00	247,160	1,235,800	7,400	167
10/01/2008	35,000.00	238,375.00	273,375.00	8,462.50	-	281,837.50	1.02	288,496	1,442,482	7,474	193
10/01/2009	60,000.00	236,625.00	296,625.00	8,418.75	-	305,043.75	1.02	312,518	1,562,589	7,549	207
10/01/2010	70,000.00	233,625.00	303,625.00	8,343.75	-	311,968.75	1.08	336,991	1,684,954	7,624	221
10/01/2011	75,000.00	230,125.00	305,125.00	8,256.25	-	313,381.25	1.14	358,339	1,791,693	7,624	235
10/01/2012	80,000.00	226,375.00	306,375.00	8,162.50	-	314,537.50	1.21	379,687	1,898,433	7,624	249
10/01/2013	85,000.00	222,375.00	307,375.00	8,062.50	-	315,437.50	1.20	379,687	1,898,433	7,624	249
10/01/2014	90,000.00	218,125.00	308,125.00	7,956.25	-	316,081.25	1.20	379,687	1,898,433	7,624	249
10/01/2015	95,000.00	213,625.00	308,625.00	7,843.75	-	316,468.75	1.20	379,687	1,898,433	7,624	249
10/01/2016	100,000.00	208,875.00	308,875.00	7,725.00	-	316,600.00	1.20	379,687	1,898,433	7,624	249
10/01/2017	105,000.00	203,875.00	308,875.00	7,600.00	-	316,475.00	1.20	379,687	1,898,433	7,624	249
10/01/2018	110,000.00	198,362.50	308,362.50	7,468.75	-	315,831.25	1.20	379,687	1,898,433	7,624	249
10/01/2019	115,000.00	192,587.50	307,587.50	7,331.25	-	314,918.75	1.21	379,687	1,898,433	7,624	249
10/01/2020	120,000.00	186,550.00	306,550.00	7,187.50	-	313,737.50	1.21	379,687	1,898,433	7,624	249
10/01/2021	130,000.00	180,250.00	310,250.00	7,037.50	-	317,287.50	1.20	379,687	1,898,433	7,624	249
10/01/2022	135,000.00	173,425.00	308,425.00	6,875.00	-	315,300.00	1.20	379,687	1,898,433	7,624	249
10/01/2023	145,000.00	166,000.00	311,000.00	6,706.25	-	317,706.25	1.20	379,687	1,898,433	7,624	249
10/01/2024	150,000.00	158,025.00	308,025.00	6,525.00	-	314,550.00	1.21	379,687	1,898,433	7,624	249
10/01/2025	160,000.00	149,775.00	309,775.00	6,337.50	-	316,112.50	1.20	379,687	1,898,433	7,624	249
10/01/2026	170,000.00	140,975.00	310,975.00	6,137.50	-	317,112.50	1.20	379,687	1,898,433	7,624	249
10/01/2027	180,000.00	131,625.00	311,625.00	5,925.00	-	317,550.00	1.20	379,687	1,898,433	7,624	249
10/01/2028	190,000.00	121,500.00	311,500.00	5,700.00	-	317,200.00	1.20	379,687	1,898,433	7,624	249
10/01/2029	200,000.00	110,812.50	310,812.50	5,462.50	-	316,275.00	1.20	379,687	1,898,433	7,624	249
10/01/2030	210,000.00	99,562.50	309,562.50	5,212.50	-	314,775.00	1.21	379,687	1,898,433	7,624	249
10/01/2031	225,000.00	87,750.00	312,750.00	4,950.00	-	317,700.00	1.20	379,687	1,898,433	7,624	249
10/01/2032	235,000.00	75,093.76	310,093.76	4,668.75	-	314,762.51	1.21	379,687	1,898,433	7,624	249
10/01/2033	250,000.00	61,875.00	311,875.00	4,375.00	-	316,250.00	1.20	379,687	1,898,433	7,624	249
10/01/2034	265,000.00	47,812.50	312,812.50	4,062.50	-	316,875.00	1.20	379,687	1,898,433	7,624	249
10/01/2035	280,000.00	32,906.26	312,906.26	3,731.25	-	316,637.51	1.20	379,687	1,898,433	7,624	249
10/01/2036	305,000.00	8,578.13	313,578.13	190.63	(313,578.13)	190.63	1,933.17	368,520	1,842,600	7,624	249
Total	\$4,370,000.00	\$4,893,163.57	\$9,263,163.57	\$200,014.14	(412,901.05)	\$9,050,276.66					

* Preliminary, subject to change.

** Gross State Aid Previous 12 Month Period Ending August 20.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY.

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EXHIBIT B

**AUDITED FINANCIAL STATEMENTS FOR
THE ACADEMY FOR THE YEAR
ENDING JUNE 30, 2005**

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Walden Green Montessori

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2005

Walden Green Montessori

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This section of the Walden Green Montessori's annual financial report presents our discussion and analysis of the School's financial performance during the year ended June 30, 2005. Please read it in conjunction with the School's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Walden Green Montessori financially as a whole. The School-wide financial statements provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a longer-term view of those finances. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School's operations in more detail than the School-wide financial statements. The basic financial statements are comprised of the following elements:

Management's Discussion and Analysis (MD&A)

- Required Supplemental Information

Basic Financial Statements

- School-wide Financial Statements

- Fund Financial Statements

- Notes to the Basic Financial Statements

- Required Supplemental Information

- Budgetary Information for the General Fund

Reporting the School as a Whole—School-wide Financial Statements

One of the most important questions asked about the School is, as a whole, what is the School's Statement of Activities, which appears first in the School's financial statements. The Statement of Activities reports information on the School as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School's net assets—the difference is between assets and liabilities, as reported in the Statement of Net Assets—as one way to measure the School's financial health or financial position. Over time, increases or decreases in the School's net assets—as reported in the Statement of Activities—are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School's operating results. However, the School's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School, which encompass all of the School's services, including instruction and support services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Reporting the School's Most Significant Funds—Fund Financial Statements

The School's fund financial statements provide detailed information about the most significant funds—not the School as a whole. Walden Green uses one fund – a general fund – at this time. The General Fund of the School uses the following accounting approach:

Governmental funds—All of the School's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation.

The School as a Whole

Recall that the Statement of Net Assets provides the perspective of the School as a whole. The following table provides a summary of the School's net assets as of June 30, 2005 and 2004.

	2005 Governmental Activities	2004 Governmental Activities
<u>Net Assets</u>		
Assets		
Current and Other Assets	\$ 344,874	\$ 319,693
Capital Assets	330,362	335,874
Total Assets	<u>675,236</u>	<u>655,567</u>
Liabilities		
Current Liabilities	41,580	42,364
Long-term Liabilities	316,312	326,276
Total Liabilities	<u>357,892</u>	<u>368,640</u>
Net Assets		
Invested in Capital Assets—Net of Related Debt	4,050	298
Unrestricted	313,294	286,629
Total Net Assets	<u>\$ 317,344</u>	<u>\$ 286,927</u>

Walden Green Montessori

Management's Discussion and Analysis

The above analysis focuses on the net assets. The change in net assets (see table below) of the School's governmental activities is discussed below. The current and other assets increased \$25,181 as a result of the School's positive change in net assets. Capital assets decreased due to normal annual depreciation offset by an increase in building improvements. Current liabilities decrease was due the prior year having a grant amount due to back to another governmental unit. Long-term liabilities decreased due to normal principal repayment. The net assets are comprised of two components. Invested in capital assets, net of related debt represent the Schools net assets invested in buildings and equipment less the related debt which are not available to pay current liabilities. The remaining amount of net assets \$313,294 was unrestricted.

The \$313,294 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used to provide working capital and cash flow requirements as well as providing for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School as a whole are reported in the Statement of Activities, which shows the changes in net assets for fiscal year 2005.

Statement of Activities

	2005 Governmental Activities	2004 Governmental Activities
<i>Functions/Programs</i>		
Program Revenue		
Charges for Services	\$ 27,700	\$ 38,209
Operating Grants	48,759	22,258
General Revenues		
Grants and Contributions Not Restricted to Specific Programs	739,692	704,573
Unrestricted Investment Earnings	1,414	835
Miscellaneous	15,331	18,964
Total General Revenues and Special Items	832,896	784,839
Expenses		
Instruction	497,276	466,780
Support Services	259,089	255,728
Interest on Long-term Debt	24,834	26,221
Unallocated Depreciation	21,280	24,519
Total Governmental Activities	802,479	773,248
Change In Net Assets	30,417	11,591
Net Assets – beginning	286,927	275,336
Net Assets – ending	\$ 317,344	\$ 286,927

Change in Net Assets

The School experienced an increase in net assets of \$30,417. A key reason for the increase in net assets was an increase in the student population which increased state aid resulted in additional expenditures. However, the increase in expenditures was less than the increase in revenues and resulted in a increase in the change in net assets.

As discussed above, the net cost shows the financial burden that was placed on the State by each of these functions. Since unrestricted state aid constitutes the vast majority of district operating revenue sources, the Board of Directors and Administration must annually evaluate the needs of the School and balance those needs with state-prescribed available unrestricted resources.

The School's Funds

As we noted earlier, the School uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School is being held accountable for the resources taxpayers and others provide to it and may provide more insight into the School's overall financial health.

In the General Fund, our principal operating fund, the fund balance increased \$28,628 to \$309,677. The primary reasons for the increase are as follows:

- Higher student enrollment
- Continued tight cost controls
- Decrease in employee health care costs as a result of a decrease in employee participation

The General Fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the School revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. (A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements).

There were revisions made to the 2004-2005 General Fund original budget. State source revenues were increased \$21,000 due to the original budget anticipating a decrease in foundation allowance by the State of Michigan. The instruction budget was increased by \$21,740 due to an increase retirement costs, supplies and training. These items were increased once the State foundation allowance was not reduced. The operations and maintenance budget was increased due to unusual and unexpected required repair and maintenance. Other categories were adjusted to match anticipated expenditures as the year progressed.

The budget to actual revenue variations amounts are primarily the result of actual special education revenues being reclassified to comply with State of Michigan requirements. Classifications used with the original budget were different than those used for the State of Michigan requirement. Instruction expenditures ended the year higher than anticipated due to an increase in salaries, retirement and other employee benefits. Business support services were, also, higher than anticipated due to ISD testing, increased camp expenditures and unexpected asbestos testing.

Capital Asset and Debt Administration**Capital Assets**

At June 30, 2005, the School had \$330,362 (after accumulated depreciation) invested in a broad range of capital assets, including land, buildings, vehicles, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$5,512 from last year.

	<u>2005</u>	<u>2004</u>
Buildings and Land	\$ 411,735	\$ 412,071
Furniture and Equipment	55,799	46,061
Total Capital Assets	<u>467,534</u>	<u>458,132</u>
Accumulated depreciation	<u>137,172</u>	<u>122,258</u>
Total Assets, Net	\$ <u>330,362</u>	\$ <u>335,874</u>

We present more detailed information about our capital assets in the notes to the financial statements.

Long-term Debt

At June 30, 2005, the School had \$316,312 in debt relating to a building mortgage. The School had no other debt activities during the year.

Economic Factors and Next Year's Budget

Our appointed officials and administration considered many factors when setting the School's 2006 fiscal year budget. One of the most important factors affecting the budget is our student count. The fiscal year 2006 budget anticipates an increase in enrollment of approximately 15 students. The State foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2006 fiscal year is 25 percent and 75 percent of the February 2005 and September 2005 student counts, respectively. The original 2006 budget was adopted in June 2005 and anticipated an increase in fund balance of \$35,000. This budget will probably be amended to reflect anticipated costs for a new facility. These amendments will be made as expenditures become known.

Approximately 93 percent of total General Fund revenue comes from the state foundation grant and categorical payments. As a result, direct funding is heavily dependent on the state's ability to fund local school operations. Based on early enrollment data at the start of the 2005-2006 school year, we anticipate that the fall student count will be near the estimates used in creating the fiscal 2006 budget. Once the final student count and related per pupil funding is validated, state law requires the School to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School's revenue is heavily dependent on state funding and the health of the state's School Aid Fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to Schools. The state periodically holds a revenue-estimating conference to estimate revenues.

At June 30, 2005, the School was committed to the purchase of approximately 5 acres of land in a near by location. The School has not closed on the purchase of the land, but anticipates closing by September 30, 2005. The School is in the process of designing a new facility which would be built on the newly acquired land. The new facility is 25,000 square feet and should cost approximately \$4,000,000. The School anticipates starting construction this winter and having the facility available for the following academic school year.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 11, 2005

Board of Education
Walden Green Montessori
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities of Walden Green Montessori as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Walden Green Montessori's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Walden Green Montessori, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2005, on our consideration of Walden Green Montessori's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

BRICKLEY DELONG

Board of Education
August 11, 2005
Page 2

The management's discussion and analysis and budgetary comparison information on pages i through vi and page 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Brickley DeLong, PLC

Walden Green Montessori
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental activities
CURRENT ASSETS	
Cash and cash equivalents	\$ 198,969
Receivables	960
Due from other governmental units	140,648
Total current assets	<u>340,577</u>
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	24,738
Depreciable	305,624
Mortgage issuance costs, net	4,297
Total noncurrent assets	<u>334,659</u>
Total assets	675,236
CURRENT LIABILITIES	
Accounts payable and accrued expenses	21,989
Due to other governmental units	9,591
Mortgage, due within one year	10,000
Total current liabilities	<u>41,580</u>
NONCURRENT LIABILITIES	
Mortgage, less amounts due within one year	<u>316,312</u>
Total liabilities	<u>357,892</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,050
Unrestricted	313,294
Total net assets	<u><u>\$ 317,344</u></u>

The accompanying notes are an integral part of this statement.

Walden Green Montessori
STATEMENT OF ACTIVITIES
For the year ended June 30, 2005

		Program Revenue		Net (expense) revenue and changes in net assets
	Expenses	Charges for services	Operating grants and contributions	Governmental activities
<i>Functions/Programs</i>				
Governmental activities				
Instruction	\$ 497,276	\$ 27,700	\$ 48,759	\$ (420,817)
Support services	259,089	-	-	(259,089)
Interest on long-term debt	24,834	-	-	(24,834)
Unallocated depreciation	21,280	-	-	(21,280)
Total governmental activities	<u>\$ 802,479</u>	<u>\$ 27,700</u>	<u>\$ 48,759</u>	(726,020)
General revenues				
Grants and contributions not restricted to specific programs				739,692
Unrestricted investment earnings				1,414
Miscellaneous				<u>15,331</u>
Total general revenues				<u>756,437</u>
Change in net assets				30,417
Net assets at July 1, 2004				<u>286,927</u>
Net assets at June 30, 2005				<u>\$ 317,344</u>

The accompanying notes are an integral part of this statement.

Walden Green Montessori
BALANCE SHEET
 Governmental Funds
 June 30, 2005

	General Fund
ASSETS	
Cash and cash equivalents	\$ 198,969
Receivables	960
Due from other governmental units	<u>140,648</u>
Total assets	<u><u>\$ 340,577</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 11,595
Accrued liabilities	9,714
Due to other governmental units	<u>9,591</u>
Total liabilities	30,900
Fund balance	
Unreserved	<u>309,677</u>
Total liabilities and fund balances	<u><u>\$ 340,577</u></u>

The accompanying notes are an integral part of this statement.

Walden Green Montessori
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET ASSETS**
 June 30, 2005

Total fund balance—governmental funds	\$	309,677
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Amounts reported for governmental activities in the Statement of Net Assets
 are different because:

Capital assets used in governmental activities are not current financial resources
 and are not reported in this governmental fund.

Cost of capital assets	\$ 467,534	
Accumulated depreciation	<u>(137,172)</u>	330,362

Mortgage issuance costs are not capitalized and amortized in the governmental funds.

Mortgage issuance costs	9,915	
Accumulated amortization	<u>(5,618)</u>	4,297

Long-term liabilities in governmental activities are not due and payable in the current
 period and are not reported in the governmental funds.

Mortgage payable	(326,312)
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Accrued interest in governmental activities is not reported in the governmental funds.	<u>(680)</u>
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Net Assets of governmental activities in the Statement of Net Assets	\$ <u><u>317,344</u></u>
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The accompanying notes are an integral part of this statement.

Walden Green Montessori
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

Governmental Funds
For the year ended June 30, 2005

	General Fund
REVENUES	
Local sources	
Program fees	\$ 27,700
Fundraising	15,331
Other	1,414
Total local sources	44,445
State sources	739,692
Federal sources	11,901
Total revenues	796,038
EXPENDITURES	
Current:	
Instruction	497,276
Support services	272,874
Other transactions	34,118
Total expenditures	804,268
Excess of revenues over (under) expenditures	(8,230)
OTHER FINANCING SOURCES	
Transfer from other governmental units and other transactions	36,858
Net change in fund balance	28,628
Fund balance at July 1, 2004	281,049
Fund balance at June 30, 2005	\$ 309,677

The accompanying notes are an integral part of this statement.

Walden Green Montessori
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES**

For the year ended June 30, 2005

Net change in fund balances—governmental funds	\$	28,628
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets and mortgage fees as expenditures in the Statement of Activities; these costs are depreciated and amortized over their estimated useful lives.

Depreciation and amortization expense	\$	(23,263)	
Capital outlay		15,768	(7,495)

Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		20
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		9,264
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Change in net assets of governmental activities	\$	30,417
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The accompanying notes are an integral part of this statement.

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Walden Green Montessori (School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

1. Reporting Entity

The School is governed by an appointed five-member Board of Directors (Board), which has responsibility and control over all activities related to public school education within the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

2. School-wide and Fund Financial Statements

School-wide Financial Statements – The primary focus of school-wide financial statements is on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities. The school-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School. The school-wide financial statements categorize primary activities as either governmental or business type. All of the School's activities are classified as governmental activities.

In the school-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The school-wide Statement of Activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general revenues (certain intergovernmental revenues and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School does not allocate indirect costs.

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Fund financial statements – Fund financial statements are provided for governmental funds.

Governmental funds – Governmental funds are those funds through which most School functions typically are financed. The acquisition, use and balances of the School's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School reports the following **major** governmental funds:

- The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

3. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The school-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to schools based on information supplied by the school. For the year ended June 30, 2005, the Foundation allowance was based on pupil membership counts taken in February 2004 and September of 2004.

The School also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

The School reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School intends to hold the investment until maturity.

State statutes authorize the School to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School's deposits and investments are in accordance with statutory authority.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Capital Assets and Depreciation

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School does not have infrastructure-type assets.

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Other Accounting Policies—Continued

Capital Assets and Depreciation—Continued

Depreciation is provided on the straight-line basis over the following useful lives:

Building and improvements	10-30 years
Buses and other vehicles	5 years
Furniture and other equipment	3-10 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Long-term Obligations

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Net Assets In School-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Other Accounting Policies—Continued

Fund Equity In Fund Financial Statements

The School reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid items, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual budgets lapse at year end.

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain constituent comments.
3. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. Formal budgetary integration is employed as a management control device during the year.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2005. The School does not consider these amendments to be significant.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School did not have significant expenditure budget variances.

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The School has no investment policy that would further limit its investment choices.

Concentration of credit risk. The School does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2005, \$18,849 of the School's bank balance of \$214,510 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The School does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The School is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Capital Assets, not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	<u>-</u>	<u>9,738</u>	<u>-</u>	<u>9,738</u>
Total Capital Assets, not being depreciated	15,000	9,738	-	24,738
Capital Assets, being depreciated:				
Buildings and improvements	397,071	6,030	6,366	396,735
Furniture and equipment	<u>46,061</u>	<u>-</u>	<u>-</u>	<u>46,061</u>
Total Capital Assets, being depreciated	443,132	6,030	6,366	442,796
Less Accumulated Depreciation:				
Building and improvements	90,721	15,641	6,366	99,996
Furniture and equipment	<u>31,537</u>	<u>5,639</u>	<u>-</u>	<u>37,176</u>
Total Accumulated Depreciation	<u>122,258</u>	<u>21,280</u>	<u>6,366</u>	<u>137,172</u>
Total Capital Assets being depreciated, net	<u>320,874</u>	<u>(15,250)</u>	<u>-</u>	<u>305,624</u>
Capital Assets, Net	<u>\$ 335,874</u>	<u>\$ (5,512)</u>	<u>\$ -</u>	<u>\$ 330,362</u>

Depreciation

Depreciation expense has been charged as unallocated depreciation.

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE E—LONG-TERM OBLIGATIONS

The School issues notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. The notes are direct obligations and pledge the full faith and credit of the School.

Summary of Long-term Obligations

The following is a summary of long-term obligations activity for the School for the year ended June 30, 2005:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Mortgage	\$ <u>335,576</u>	\$ <u> -</u>	\$ <u> 9,264</u>	\$ <u>326,312</u>	\$ <u>10,000</u>

The mortgage consists of the following:

Building mortgage payable in monthly installments of \$2,843 including interest at 7.5% due through August 20, 2007.

The mortgage has a balloon payment of approximately \$305,000 in August 2007.

\$ 326,312

The annual requirements of principal and interest to amortize debt outstanding as of June 30, 2005 follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 10,000	\$ 24,135	\$ 34,135
2007	10,758	23,360	34,118
2008	<u>305,554</u>	<u> 3,850</u>	<u>309,404</u>
	\$ <u>326,312</u>	\$ <u>51,345</u>	\$ <u>377,657</u>

NOTE F—EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Plan description – The School elected July 1, 2002 to contribute to the statewide Michigan Public School Employees' Retirement System for the School's single employee (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909
1-800-381-5111

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE F—EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN—Continued

Funding policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The School is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2005, were 14.87 percent of payroll. The contribution requirements of plan members and the School are established and may be amended by the MPSERS Board of Trustees. The School contributions to MPSERS for the year ended June 30, 2005, 2004, and 2003 were approximately \$10,600, \$9,700 and \$9,600, respectively, and were equal to the required contribution for those years. The School is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other post-employment benefits – Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE G—OTHER INFORMATION

1. Economic Dependence

Prior years' revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid, and the change in property tax laws significantly decreased local property tax revenues. As a result, State school aid represents approximately 93.7 percent of General Fund revenues.

2. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2005 or any of the prior three years.

Walden Green Montessori
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE G—OTHER INFORMATION—Continued

3. Leased Employees

a. Management Services Agreement

The School leases its employees with the exception of one employee from an employee leasing company (Company) and is no longer required to have these School employees covered by MPSERS.

Expenditures for employee costs such as salaries and wages, payroll taxes, and benefits under the management services agreements have been recorded and reported in conformance with the State of Michigan's standard chart of accounts.

b. Defined Contribution Plan

The Company maintains a defined contribution plan covering substantially all of the employees. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Contributions and costs are determined as 8 percent of each covered employee's salary. For the year ended June 30, 2005, the contributions totaled approximately \$30,600, and the employee contributions were approximately \$4,800.

4. Subsequent Event

In July 2005, the School entered into a purchase agreement of \$305,000 for the purchase of a parcel of land. The land will be used for the construction of a new facility.

REQUIRED SUPPLEMENTAL INFORMATION

Walden Green Montessori
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

General Fund
Year ended June 30, 2005

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES				
Local sources	\$ 54,000	\$ 57,000	\$ 44,445	\$ (12,555)
State sources	718,000	739,000	739,692	692
Federal sources	-	-	11,901	11,901
Transfer from other governmental units and other transactions	<u>30,000</u>	<u>30,000</u>	<u>36,858</u>	<u>6,858</u>
Total revenues	802,000	826,000	832,896	6,896
EXPENDITURES				
Instruction	469,000	490,740	497,276	(6,536)
Support services				
General administration	197,000	182,300	178,661	3,639
Business	12,000	8,500	14,477	(5,977)
Operation/maintenance	59,200	84,100	79,736	4,364
Other Transactions	<u>42,500</u>	<u>34,500</u>	<u>34,118</u>	<u>382</u>
Total expenditures	<u>779,700</u>	<u>800,140</u>	<u>804,268</u>	<u>(4,128)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 22,300</u>	<u>\$ 25,860</u>	28,628	<u>\$ 2,768</u>
Fund balance at July 1, 2004			<u>281,049</u>	
Fund balance at June 30, 2005			<u>\$ 309,677</u>	

OTHER DOCUMENTS

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

August 11, 2005

Board of Directors
Walden Green Montessori
Spring Lake, Michigan

We have audited the financial statements of Walden Green Montessori as of and for the year ended June 30, 2005 and have issued our report thereon dated August 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

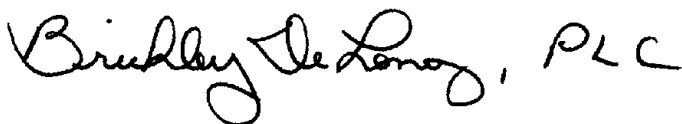
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walden Green Montessori's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Walden Green Montessori's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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EXHIBIT C

**SUMMARY OF CERTAIN MICHIGAN
STATUTORY PROVISIONS PERTAINING
TO PUBLIC SCHOOL ACADEMIES**

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SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES

Definition of Public School Academy (M.C.L. § 380.501(1), 380.502(1))

A public school academy is a state-supported public school that is considered both a body corporate and a governmental agency. According to the statutes, a public school academy must be organized under Michigan's non-profit corporation act, M.C.L. §§ 450.2101 to 450.3192. A public school academy is also considered a school district for purposes of borrowing money and issuing notes and bonds pursuant to M.C.L. § 380.1225 and 380.1351a, respectively, and it is subject to the leadership and general supervision of the state board of public education. The state board of education is responsible for issuing an annual comprehensive report evaluating public school academies to the house and senate committees on education. See M.C.L. § 380.501a.

Sponsors of and Applicants for Public School Academies (M.C.L. § 380.502)

Charter contracts may be issued by any one of the following authorizing bodies: (i) local school districts, (ii) intermediate school districts, (iii) community colleges, and (iv) state public universities. Any person interested in operating a public school academy may apply to an authorizing body.

Currently, there is a cap on the number of charter contracts that can be issued by state public universities. The number of contracts for public school academies issued by all state public universities is 150. The number of contracts issued by any one state university shall not exceed 50% of the maximum total that may be issued by state universities.

Method of Establishment and Oversight of Public School Academies (M.C.L. § 380.502(3-7))

When a person applies for a contract to operate a public school academy, the application must: (1) identify the applicant; (2) list the proposed members of the board of directors of the public school academy and a description of the qualifications and method for appointment or election of the board of directors; (3) include a copy of the proposed articles of incorporation for the public school academy, including (i) the name of the proposed public school academy, (ii) the purposes of the public school academy, (iii) the name of the authorizing body, (iv) the proposed time when the articles of incorporation will be effective, and (v) other matters as necessary; (4) include a copy of the proposed bylaws of the public school academy; (5) document the requirements of the authorizing body, including (i) the governance structure of the public school academy, (ii) a copy of the educational goals of the public school academy, the curricula to be offered, and the methods of pupil assessment, (iii) the admission policy and criteria to be maintained, (iv) the school calendar and school day schedule, and (v) the age or grade range of pupils to be enrolled; (6) describe staff responsibilities and the governance structure; (7) identify the local and intermediate school districts in which the public school academy will be located; (8) agree that the public school academy will comply with all applicable state and federal laws; (9) for an application to a school district, assure that employees of the public school academy will be covered by collective bargaining agreements that apply to other public employees in schools; and (10) describe and identify the address where the public school academy will be located.

An authorizing body that issues a contract for a public school academy must oversee the public school academy to ensure that the public school academy is in compliance with statutes, rules, and the terms of the contract. If an authorizing body grants a charter contract, it may charge a fee that does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged. An authorizing body may contract with a public school academy for other services in addition to the oversight services.

Legal Status of Public School Academy (M.C.L. § 380.501, 380.503b)

A public school academy is a body corporate, a governmental agency, a public school, and is considered a school district under certain provisions of State law. If a public school academy enters into an agreement, mortgage, loan, or other instrument of indebtedness with a third party, such arrangement does not constitute an obligation, either general, special, or moral of the State of Michigan or the authorizing body. The State or an authorizing body is not liable for any debt incurred by a public school academy.

Public School Academy Funding (§ 388.1601 et. seq.; § 141.2101 et. seq.)

A public school academy receives funding through the per pupil base foundation, as calculated in Michigan's State School Aid Act, M.C.L. § 388.1601 et. seq. The School Aid Act currently provides that pupil membership is based upon a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. A public school academy's State School Aid is sent directly to the academy's authorizing body, which takes its 3% fee and then forwards the remainder of the aid payments to the public school academy. Pursuant to the State School Aid Act, a school district receives its annual State School Aid entitlement in eleven equal installments on dates in October through August, subject to certain statutory adjustments. By law, a public school academy's State School Aid payment must not exceed the per-pupil base foundation received by the local school district in which the public school academy is located.

A public school academy may not charge tuition and may not levy taxes. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow. A public school academy may borrow money and may issue bonds in accordance with the Revised School Code, M.C.L. § 380.1 et. seq., and the Revised Municipal Finance Act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Authorizing Body's Duties With Respect to State School Aid Payments (M.C.L. § 380.507)

The authorizing body for a public school academy is the fiscal agent for the public school academy; therefore, it receives state school aid payments on behalf of the public school academy and then forwards such aid payments to the public school academy (less a fee that it may charge which does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged).

Withholding payment; plan for financing outstanding obligation defaulted upon by a public school academy; use of amounts withheld; agreement assigning or pledging payment (M.C.L. § 388.1617a)

The Michigan Department of Treasury may withhold all or part of any payment of State School aid that a public school academy is entitled to receive to the extent the withholdings are a component part of a plan, developed and implemented pursuant to the revised municipal finance act, 2001 PA 34, MCL 141.2101, *et al*, or other statutory authority, for financing an outstanding obligation upon which the public school academy defaulted. Amounts withheld shall be used to pay, on behalf of the public school academy, unpaid amounts or subsequently due amounts, or both, of principal and interest on the outstanding obligation upon which the public school academy defaulted.

Under an agreement entered into by a public school academy assigning all or a portion of the payment of State School aid that it is eligible to receive to a trustee of a pooled arrangement, such as the Issuer, or pledging the amount for payment of an obligation it incurred with a trustee of a pooled arrangement, the state treasurer shall transmit to the trustee of a pooled arrangement the amount of the payment of the State School aid that is assigned or pledged under the agreement. This section does not require the State of Michigan to make an appropriation to any public school academy and shall not be construed as creating an indebtedness of the State of Michigan, and any agreement made pursuant to this section shall contain a statement to that effect.

Deficit Budget or Operating Deficit (M.C.L. § 388.1702)

Michigan law provides that a public school academy receiving State School aid shall not adopt or operate under a deficit budget, or incur an operating deficit in any fund, during a school fiscal year. Where a public school academy has an existing deficit or incurs a deficit fund balance, such public school academy shall not receive payments under the School Aid Act until it submits to the Michigan Department of Education (the "Department") a budget for the current school fiscal year and a plan for the elimination of the deficit not later than the end of the second school fiscal year after the deficit was incurred. In addition, a public school academy with an existing deficit or which incurs a deficit shall submit to the Department a monthly monitoring report on revenue and expenditures in a form prescribed by the Department. Any State School Aid payments that have been withheld from a public school

academy due to a deficit will be released to the public school academy after the Department approves the deficit reduction plan and ensures that the budget for the current school fiscal year is balanced.

Revocation of Charter (M.C.L. § 380.507)

A charter contract may be revoked by the authorizing body for the following reasons: (1) failure of the public school academy to abide by and meet the educational goals set forth in the contract, (2) failure of the public school academy to comply with all applicable law, (3) failure of the public school academy to meet generally accepted public sector accounting principles, and (4) any other grounds for revocation as specified in the charter contract. The decision to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any state agency.

Issuance of Contracts (M.C.L. § 380.503)

Public school academy contracts shall be issued on a competitive basis, while taking the following into consideration: (1) the resources available for the proposed public school academy, (2) the population to be served by the public school academy, and (3) the educational goals to be achieved by the public school academy. With respect to applications to a local school district, if the board denies an application for a public school academy contract, the person who applied for the contract may petition the board to place the question of the issuance of the contract on a ballot to be decided by the school electors of the school district. The petition must contain the same requirements that are to be included in an application for a charter contract and must be signed by at least 15% of the school electors in that school district.

Within 10 days of issuing a contract for a public school academy, the authorizing body must submit to the superintendent of public instruction a copy of the contract and application. The authorizing body must also adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each public school academy subject to its jurisdiction.

A public school academy contract must include the following: (1) the educational goals of the public school academy and methods by which it will be held accountable (at a minimum, the pupil performance must be assessed using a Michigan educational assessment program (“MEAP”) test or an assessment instrument developed under Michigan’s Revised School Code); (2) the method to be used to monitor the public school academy’s compliance with applicable laws and its performance in meeting its educational objectives; (3) a description of the process for amending the contract during the term of the contract; (4) all the matters required to be included in the application to an authorizing body for a charter contract; (5) for public school academies authorized by a school district, an agreement that the employees of the public school academy will be covered by any collective bargaining agreements that apply to the employees of the school district; (6) procedures and grounds for revoking the contract; (7) a description and address of the physical plant in which the public school academy will be located; and (8) requirements and procedures for financial audits, which are to be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

Among the laws with which public school academies must comply are Michigan’s Revised School Code, Michigan’s State School Aid Act, the Open Meetings Act, the Freedom of Information Act, the Uniform Budgeting and Accounting Act, the Revised Municipal Finance Act, and other state and federal laws applicable to public school academies.

Public school academies and their board members, officers and staff have governmental immunity. Public school academies may acquire, hold, and own in their own name buildings and other property for school purposes and may condemn property if certain conditions are met. Public school academies are exempt from all taxation on their earnings and property. They may not levy ad valorem property taxes or any other taxes for any purpose.

Tuition and Admission at Public School Academies (M.C.L. § 380.504)

A public school academy may not charge tuition and may not discriminate in its pupil admissions policies or practices based on race, disability, religion, gender, test scores, intellectual or athletic ability, measures of achievement or aptitude, or any other basis prohibited by law. However, a public school academy may predetermine

the ages, grades, and number of students it will serve. If the number of applications to enroll in the public school academy exceeds the school's enrollment capacity, the public school academy shall use a random selection process for selecting pupils. Public school academies may operate any grades from kindergarten through grade 12 and may also operate early childhood education programs, an adult basic education program, adult high school completion program, or general educational development testing preparation program.

Additional Powers of Public School Academies (M.C.L. § 380.504a, 380.506)

In addition to other powers, a public school academy may take action to carry out its educational mission. For that purpose, a public school academy has the power to: (i) sue and be sued, (ii) acquire, hold, and own in its own name real and personal property for educational purposes, and sell or convey the property, (iii) receive, disburse, and pledge funds for lawful purposes, (iv) enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy, (v) incur temporary indebtedness as authorized by state statutes, (vi) solicit and accept grants or gifts for educational purposes and establish non-profit corporations for the purpose of assisting the public school academy in furtherance of its public purposes, and (vii) borrow money and issue bonds in accordance with relevant state statutes.

Bonds issued by a public school academy are full faith and credit obligations of the public school academy, pledging the general funds or any other money available for such a purpose. Bonds issued by a public school academy are subject to the revised municipal finance act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Public school academies, with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the public school academy, prescribe their duties, and fix their compensation.

Teachers and Noncertified Individuals (M.C.L. § 380.505)

Teachers in public school academies are subject to the same certification requirements as traditional public schools, with two exceptions. First, public school academies authorized by a state university may use as a classroom teacher a faculty member who is employed full-time by the university and has institutional tenure or is designated as being on tenure track. Second, public school academies authorized by a community college may use as a classroom teacher a full-time faculty member who has at least five years experience in teaching the subject matter he or she is teaching at the public school academy. Public school academies may develop and implement new teaching techniques or make significant revisions to known techniques. Public school academies must report these practices to the authorizing body and the state board.

THE CHARTER SCHOOL LAWS AND SCHOOL AID ACT ARE SUBJECT TO MODIFICATION BY THE MICHIGAN LEGISLATURE. THE AMOUNT, TIMING AND METHODOLOGY FOR CALCULATION OF STATE SCHOOL AID HAS CHANGED SIGNIFICANTLY IN RECENT YEARS, AND IS SUBJECT TO FUTURE LEGISLATIVE CHANGES.

EXHIBIT D

**COPIES OF THE TRUST INDENTURE AND
THE INSTALLMENT PURCHASE AGREEMENT**

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TRUST INDENTURE**BETWEEN****MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY****AND****WELLS FARGO BANK, N.A.****as Trustee****RELATING TO:****\$4,370,000****MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(WALDEN GREEN MONTESSORI PROJECT), SERIES 2006****Dated as of May 1, 2006****TABLE OF CONTENTS****Page****ARTICLE I****DEFINITIONS**

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TRUST INDENTURE

TRUST INDENTURE

THIS TRUST INDENTURE ("Indenture") dated as of May 1, 2006, between the **MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY**, a public body corporate (the "Issuer" or the "Authority"), and **WELLS FARGO BANK, N.A.**, a national banking association, as trustee, and its successor in trust and its assignees (the "Trustee").

WHEREAS, the Issuer has been created pursuant to the Enabling Legislation for, among other purposes, the purpose of lending money to Public School Academies; and

WHEREAS, the Issuer is authorized to carry out the public purposes described in and contemplated by the Enabling Legislation by purchasing municipal obligations from Public School Academies and obtaining funds to make loans by issuing revenue bonds; and

WHEREAS, the Issuer has determined that to purchase the Financing Agreement will further the purposes of the Enabling Legislation, will benefit the people of the State, will assist the Academy in fulfilling its needs, will provide for the orderly marketing of municipal obligations and will reduce the costs of borrowing to the Academy; and

WHEREAS, the Revised School Code, PA 451 of 1976, as amended (the "School Code") authorizes public school academies to acquire real and personal property or interests in real or personal property, by purchase, gift, grant, devise, bequest, lease, sublease, installment purchase agreement, land contract option or condemnation and subject to mortgages, security interests or other liens; and

WHEREAS, Walden Green Montessori (the "Academy") has requested that the Authority assist in financing a Project (as defined in the Financing Agreement), and to pay certain expenses incidental to the issuance of the Bonds; and

WHEREAS, the Authority wishes to provide for the issuance of the Bonds for the purpose of providing funds to assist in the financing of the Project; and

WHEREAS, the Issuer determines and declares that payment of the Costs of the Project as contemplated by the Financing Agreement and this Indenture is necessary in order to realize the objectives and purposes of the Enabling Legislation and fulfills a valid public purpose; and

WHEREAS, as security for the payment of the Bonds issued pursuant to this Indenture, the Issuer has agreed to assign and pledge to the Trustee, the Security (as hereinafter defined); and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued and delivered as provided in this Indenture, the legal, valid, binding and enforceable limited obligations of the Issuer, according to the import thereof, and to create a valid assignment and pledge of the Security to the payment of the Bonds have been done and performed, and the execution and delivery of this Indenture and the execution, issuance and delivery of the Bonds, subject to the terms hereof, have in all respects been authorized;

TRUST INDENTURE

NOW, THEREFORE, in consideration of the premises and of the covenants and undertakings herein expressed, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All terms used herein which are not defined herein but are defined in the Financing Agreement identified below shall have the meanings therein set forth, which definitions are by this reference incorporated herein and made a part hereof. In addition to terms elsewhere defined in this Indenture, the following words and terms as used in this Indenture and the preambles hereto shall have the following meanings unless the context or use clearly indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the terms and words herein defined:

"Academy" means Walden Green Montessori, a public school academy, organized and existing under the laws of the State of Michigan, and their successors and assigns.

"Academy Repayments" means all amounts required to be paid by the Academy to the Issuer (and the Trustee as the assignee of the Issuer) pursuant to the Financing Agreement.

"Additional Bonds" means the additional bonds which are authorized to be issued in one or more series from time to time under Section 2.16 hereof.

"Authorized Denominations" means denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

"Beneficial Owner" means, when the Bonds are held in a book-entry only system, the owner of a Bond or portion thereof for federal income tax purposes.

"Bond" or "Bonds" means the Series 2006 Bonds and any Additional Bonds authorized to be issued hereunder.

"Bond Counsel" means a firm of nationally recognized attorneys at law acceptable to the Issuer and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

"Bond Fund" means the fund created by Section 4.01 of this Indenture.

"Bond Payment Date" means any of the dates specified in the Indenture for payment of interest on the Bonds and payment of principal, i.e., the first day of April and October of each year with respect to interest, commencing October 1, 2006 and the first day of October with respect to principal, commencing October 1, 2006, all in the years shown in Exhibit A until the respective Bonds are paid in accordance with their terms.

"Bond Purchase Agreement" means the Bond Purchase Agreement relating to the initial purchase of the Bonds among the Underwriter, the Issuer and the Academy.

TRUST INDENTURE

“Bond Register” means the books of the Issuer kept by the Trustee to evidence the registration, transfer and exchange of Bonds.

“Bond Resolution” means the resolution adopted by the Issuer on May 1, 2006, authorizing and approving the issuance and sale of the Bonds pursuant to this Indenture.

“Bondholder” or **“holder”** means the Registered Owner of any Bond.

“Business Day” means any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which banking institutions in the city in which the designated corporate trust office of the Trustee (or its bond registrar, paying agent or tender agent offices) is located, or (iv) a day on which the New York Stock Exchange is closed or the payment system of the Federal Reserve is not operational.

“Code” means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed) promulgated thereunder and under the Internal Revenue Code of 1954, as amended.

“Costs of the Project” shall have the meaning specified in the Financing Agreement.

“Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds in book entry form, the use of which will not impair the federal tax exemption of interest on the Bonds, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Determination of Taxability” means a determination that the interest income on any of the Bonds is included in gross income for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the day on which the Academy is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that, based upon any filings of the Academy, or upon any review or audit of the Academy, or upon any other grounds whatsoever, the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner thereof;

(b) the day on which the Academy receives notice from the Trustee in writing that the Trustee has been advised in writing by any current or former holder or Beneficial Owner of a Bond that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such current or former holder or Beneficial Owner which asserts in effect that the interest on the Bonds received by such current or former holder or Beneficial Owner is includable for federal income tax purposes in the gross income of such current or former holder or Beneficial Owner;

(c) the day on which the Academy is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Bond;

(d) the day on which the Academy is advised in writing that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect to which the Academy has been given written notice and an opportunity to participate and defend that the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Bond; or

(e) the date specified in a written opinion to the Academy from Bond Counsel as the day on which interest on the Bonds first became or will become includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Bond;

provided, however, no Determination of Taxability shall occur under subparagraph (a), (b) or (c) of this paragraph unless the Academy has been afforded the opportunity, at its expense, to contest any such conclusion and/or assessment after furnishing the Trustee, the Issuer and the Bank, within 30 days after the occurrence of an event described in subparagraph (a), (b) or (c) of this paragraph, with an opinion of Bond Counsel to the effect that there is a reasonable likelihood that the Academy will prevail in such contest, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined. The Academy shall promptly notify the Trustee and the Issuer of any event described in subparagraph (a), (c), (d) or (e) of this paragraph and shall further promptly notify the Trustee and the Issuer of any final determination if the Academy has contested under subparagraph (a), (b) or (c) of this paragraph. The Academy shall be deemed to have been afforded the opportunity to contest the occurrence of a Determination of Taxability if it shall have been permitted to commence and maintain any action in the name of any current or former holder or Beneficial Owner of a Bond to judgment and through any appeals therefrom or other proceedings related thereto.

“Eligible Investments” shall mean such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

(a) Governmental Obligations;

(b) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which (a) are rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services based on an escrow, (b) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions, and (c) are secured by cash and/or Government Obligations;

(c) Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated at the time of purchase in either of the two highest rating categories by Standard & Poor's Ratings Services;

(d) Obligations of any state of the United States of America or any local governmental unit of any such state which shall be rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services;

(e) Certificates that evidence ownership of the right to payments of principal or interest on the obligations described in clause (i), provided that (a) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under Section 8.04 of this Indenture; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(f) Certificates of deposit, whether negotiable or nonnegotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars (\$50,000,000) provided further that such certificate of deposit or banker's acceptance is secured by Government Obligations with a market value equal to the principal amount of such certificate of deposit or banker's acceptance over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor, and provided further that such certificate of deposit or banker's acceptance is rated at least A-1+ by Standard & Poor's Ratings Services at the time of purchase and has a maturity of not more than 365 days;

(g) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase, provided such investments are

permitted by 1855 PA 105, as amended. (Ratings on holding companies are not considered as the rating of the bank). The Trustee may conclusively rely upon the Authority's instructions as to compliance with such act;

(h) Commercial paper of a United States corporation or finance company, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by Standard & Poor's Ratings Services;

(i) to the extent approved by the State Treasurer, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Loan Bank, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Bank (including participation certificates issued by such Associations) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, and

(j) Securities of, or other interests in, a no-load, open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 to 80a-64, so long as the portfolio of the investment company or investment trust is limited to (i) United States government obligations and repurchase agreements fully collateralized by United States government obligations and the investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian or (ii) securities of, or other investments in, an investment company or investment trust which meets the foregoing requirements, and is rated at least AAAm or AAAm-G by Standard & Poor's Ratings Services.

"Enabling Legislation" shall mean Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended.

"Event of Default" means any of the events specified in Section 7.01 hereof.

"Financing Agreement" means the Installment Purchase Financing Agreement dated as of May 1, 2006, between the Issuer, 17339 Roosevelt Road, LLC, WG Equipment Vendor, LLC, and the Academy, as the same may be amended or supplemented from time to time as permitted thereby.

“Governmental Obligations” means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form), (ii) obligations and timely payment of and interest on which are fully guaranteed by the United States of America, (iii) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (i) and (ii) provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a special account separate from the general assets of such custodian, and (iv) municipal obligations the timely payment of the principal and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (i), (ii) or (iii); provided such obligations are not subject to call by the obligor for redemption prior to maturity, have been called for redemption prior to maturity or, if subject to call by the obligor for redemption prior to maturity, such right to call the obligation for redemption prior to maturity has been waived; provided, however, Government Obligations shall not include any investment which is prohibited or not permitted by the Enabling Legislation.

“Government Obligations Fund” means a fund which is composed solely of Government Obligations and repurchase agreements secured by Government Obligations, provided that if the Bonds are then rated, such fund must be rated by each Rating Agency then rating the Bonds at least as high as the then current rating on the Bonds at the time of such investment.

“Indenture” means this Trust Indenture, as amended or supplemented from time to time as permitted hereby.

“Interest Payment Date” means each April 1 and October 1 commencing October 1, 2006.

“Investment Agreement” means any agreement for the investment of funds held under the terms of this Indenture which is authorized by law, which has been approved by an authorized officer of the Authority.

“Investment Income” means the earnings and profits derived from the investment of moneys in the Project Fund, Reserve Fund and Bond Fund pursuant to ARTICLE V.

“Issue Date” means May 1, 2006, the date the Bonds are dated (though they may be delivered subsequently).

“Issuer” means the Michigan Public Educational Facilities Authority, created pursuant to the Enabling Legislation, or any successor to its rights and obligations under the Financing Agreement and this Indenture.

“Letter of Representations” means the blanket agreements of the Issuer and the Trustee to comply with the operational arrangements of The Depository Trust Company and any similar agreements with respect to a successor Depository.

“Outstanding”, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, means all Bonds which have been authenticated and delivered by the Trustee hereunder, except:

(a) Bonds canceled or delivered for cancellation at or prior to such date;

(b) Bonds, or portions thereof, for the payment or prepayment of which funds shall have been deposited with the Trustee (whether on or prior to the maturity or prepayment date of any such Bonds); provided, however that if such Bonds are to be redeemed prior to maturity thereof, notice of such prepayment shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to ARTICLE II hereof; and

(d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the Issuer or the Academy, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being Outstanding only Bonds of which the Trustee has actual notice to be so held.

“Participant” or **“Participants”** means securities brokers and dealers, banks, trust companies and clearing corporations which participate in the Depository with respect to the Bonds.

“Person” means any natural person, firm, partnership, association, limited liability company, corporation, or public body.

“Project” means the facilities to be financed with the proceeds of the Loan, all as more fully described in the Financing Agreement.

“Project Fund” means the fund created by Section 4.03 of this Indenture.

“Rating Agency” means Moody’s Investors Service and/or Standard & Poor’s Ratings Service or their successors and assigns, according to which of such rating agencies then rates the Bonds; and provided that if neither of such rating agencies then rates the Bonds, the term “Rating Agency” shall be deemed to refer to any nationally recognized securities rating agency.

“Record Date” means with respect to each Interest Payment Date, the Trustee’s close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date, regardless whether such day is a Business Day.

“Registered Owner” means the person or persons in whose name or names a Bond is registered on the registration books of the Issuer maintained by the Trustee for that purpose in accordance with the terms of this Indenture.

“Reserve Fund” means the fund established pursuant to Section 4.02 of this Indenture and which shall be entitled “Michigan Public Educational Facilities Authority Debt Service Reserve Fund 2006 Walden Green Montessori Project”.

“Reserve Fund Requirement” means an amount equal of \$313,387.50, which constitutes the least of (i) the maximum annual principal and interest requirements on the Series 2006 Bonds and any Additional Bonds, (ii) 125% of the average annual principal and interest requirements on the Series 2006 Bonds and any Additional Bonds, or (iii) 10% of the original principal amount of the Series 2006 Bonds and any Additional Bonds (net of original issue discount). The Reserve Fund Requirement for any Reserve Account may be satisfied by delivery to the Trustee of a Reserve Fund Security Instrument.

“Reserve Fund Security Instrument” means a letter a credit, line of credit, policy of insurance, surety bond or similar instrument which will provide for the payment of all or part of the amounts required to be disbursed from a Reserve Fund; provided that the Reserve Fund Security Instrument shall not result in a reduction of any rating on the Bonds.

“Revenue Account” means the account by that name established within the Bond Fund pursuant to Section 4.01 of the Indenture.

“Security” means the revenues (including Academy Repayments), funds, rights and interests specified in Section 3.01 of this Indenture.

“Series 2006 Bonds” means the \$4,370,000 Michigan Public Educational Facilities Authority Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006.

“State” means the State of Michigan.

“Trustee” means Wells Fargo Bank, N.A., a national banking association, acting in its capacity as the trustee under this Indenture, and any permitted successor trustee under ARTICLE VII of this Indenture.

“U.C.C.” means the Uniform Commercial Code of the State as now or hereafter amended, whether or not such code is applicable to the parties or the transaction.

“Unassigned Rights” means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under this Agreement and to enforce in its name and for its own benefit the provisions of Sections 507, 602 and 1003 of the Agreement with respect to the Authority Fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

“Underwriter” means Fifth Third Securities, Inc.

ARTICLE II

THE BONDS

Section 2.01. Authorized Amount of Bonds.

(a) No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. Pursuant to the Bond Resolution, the total principal amount of Series 2006 Bonds that may be issued and outstanding hereunder is expressly limited to \$4,370,000, subject to the provisions of Section 2.16 hereof. The Bonds are issued for the purpose of enabling the Authority to purchase the Academy’s municipal obligation evidenced by the Financing Agreement. The Financing Agreement shall be in Fully Marketable Form and otherwise satisfactory to the Authority. The proceeds of the Authority’s purchase of the Financing Agreement shall be used to make a deposit (i) to the Project Fund for the purpose of paying the Costs of the Project, (ii) to the Reserve Fund in the amount of the Reserve Fund Requirement, and (iii) to the Bond Fund to pay capitalized interest and any accrued interest on the Bonds.

Section 2.02. Issuance of Bonds. The Series 2006 Bonds (i) shall be designated the “Michigan Public Educational Facilities Authority Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006”, (ii) shall be dated the Issue Date, (iii) shall bear interest from the Issue Date at the rates provided in Exhibit B hereto until the Authority’s obligation with respect to payment of the principal is discharged, computed on a 360-day year of twelve 30-day months), and (iv) shall mature at the times and in the principal amounts provided in Exhibit B hereto.

The Series 2006 Bonds shall be issued as registered bonds without coupons and shall be issued in Authorized Denominations. The Series 2006 Bonds shall be numbered consecutively from R-1 upwards bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Trustee.

The principal of and the redemption premium, if any, and the interest on the Bonds shall be payable in lawful money of the United States of America. The principal of and redemption premium, if any, on the Series 2006 Bonds shall be payable at the principal corporate trust or other designated office of the Trustee. The interest on the Series 2006 Bonds shall be paid by check or draft of the Trustee mailed to the Persons in whose names the Series 2006 Bonds are registered on the Bond Register at the close of business on the Record Date next preceding each Interest Payment Date; provided, however, any registered holder of Series 2006 Bonds in the aggregate principal amount of \$1,000,000 or more as of the close of business on the Record Date preceding any Interest Payment Date may, by prior written instructions filed with the Trustee on or before the second Business Day preceding such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period be made by wire transfer to any bank located in the continental United States.

If any payment of interest or principal or redemption premium on the Series 2006 Bonds is due on a date not a Business Day, payment shall be made on the next succeeding Business Day

with the same force and effect as if made on the date which is fixed for such payment, and no interest shall accrue on such amount for the period after such due date.

The provisions of the Series 2006 Bonds shall control to the extent of any conflict with the provisions hereof.

Section 2.03. Execution; Limited Obligation. The Series 2006 Bonds shall be executed on behalf of the Issuer with the manual or facsimile signature of one of its members or one of its authorized officers. All authorized facsimile signatures shall have the same force and effect as if manually signed. In case any official of the Issuer whose signature or facsimile signature shall appear on the Series 2006 Bonds shall cease to be such official before the delivery of such Series 2006 Bonds, such signature or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if such official had remained in office until delivery. The Series 2006 Bonds may be signed on behalf of the Issuer by such persons who, at the time of the execution of such Series 2006 Bonds, are duly authorized or hold the appropriate office of the Issuer, although on the date of the Series 2006 Bonds such persons were not so authorized or did not hold such offices.

(a) The Bonds, together with interest thereon and redemption premium with respect thereto, are limited obligations of the Issuer secured by the Financing Agreement and, if applicable, the Reserve Fund, are and shall always be payable solely from the revenues and income derived from the Financing Agreement (except to the extent paid out of moneys attributable to proceeds of the Bonds or the income from the temporary investment thereof), are and shall always be a valid claim of the holders thereof only against the revenues and income derived from the Financing Agreement and from other instruments assigned to or held by the Trustee, which revenues and income shall be used for no other purpose than to pay the principal installments of, redemption premium, if any, and interest on the Bonds, except as may be expressly authorized otherwise in this Indenture or the Financing Agreement. The Bonds and the obligation to pay interest thereon and redemption premiums with respect thereto do not now and shall never constitute an indebtedness or an obligation of the Issuer or the State of Michigan, within the purview of any constitutional limitation or provision, or a charge against the general credit or taxing powers, if any, of either of them, but shall be secured by the Security, and shall be payable solely from the revenues and income derived from the Financing Agreement. No owner of the Bonds shall have the right to compel the exercise of the taxing power, if any, of the State of Michigan to pay any principal installment of, premium, if any, or interest on the Bonds. The Issuer has no taxing power.

Section 2.04. Certificate of Authentication. No Series 2006 Bonds shall be secured hereby or entitled to the benefit hereof or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon a certificate of authentication, substantially in the form as set forth in the forms of Series 2006 Bond attached hereto as Exhibits A and B, executed by an authorized officer of the Trustee; and such certificate on any Bond issued by the Issuer shall be conclusive evidence and the only competent evidence that it has been duly authenticated and delivered hereunder.

Section 2.05. Form of Bonds. The Series 2006 Bonds shall be substantially in the form attached as Exhibit A with such changes as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the Series 2006 Bonds may be listed or any usage or requirement of law or practice with respect thereto.

Section 2.06. Delivery of Series 2006 Bonds. Upon the execution and delivery hereof, the Issuer shall execute the Series 2006 Bonds and deliver them to the Trustee, and the Trustee shall authenticate the Series 2006 Bonds and deliver them to such purchaser or purchasers as shall be directed by the Issuer as hereinafter in this Section provided.

Prior to or simultaneously with the authentication and delivery of the Series 2006 Bonds by the Trustee, there shall be filed with the Trustee:

(a) A copy, certified by an authorized officer of the Issuer, of all resolutions adopted and proceedings had by the Issuer authorizing the issuance of the Series 2006 Bonds, including the Bond Resolution;

(b) An original executed counterpart of this Indenture, the Financing Agreement and the Bond Purchase Agreement;

(c) An original executed counterpart of the nonarbitrage and tax compliance certificate of the Academy relating to the Series 2006 Bonds dated the Issue Date, in form and substance satisfactory to Bond Counsel;

(d) Closing certificates of the Academy and the Issuer in form and substance satisfactory to Bond Counsel;

(e) A copy of completed IRS Form 8038-G to be filed by or on behalf of the Issuer pursuant to Section 149(e) of the Code;

(f) An original executed counterpart of the nonarbitrage certificate of the Issuer establishing its reasonable expectations to the effect that the Bonds will not be "arbitrage bonds" within the meaning of Section 148(a) of the Code;

(g) An opinion of Bond Counsel and the Attorney General of the State of Michigan addressed to the Issuer and the Trustee to the effect that the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes (other than any interest which may be includable as a preference item or adjustment item in computing any minimum tax) and that this Indenture and the Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding agreements of the Issuer;

(h) An opinion of Counsel for the Academy addressed to the Issuer and the Trustee to the effect that the Financing Agreement and the Bond Purchase Agreement have been duly authorized, executed and delivered by the Academy and are legal, valid and binding agreements of the Academy, together with such additional matters as may be requested by Bond Counsel or the Attorney General of the State of Michigan;

(i) A request and authorization to the Trustee on behalf of the Issuer and signed by an authorized officer of the Issuer directing the Trustee to authenticate and deliver the Bonds in such specified denominations as permitted herein to the Underwriter upon payment to the Trustee, but for the account of the Issuer, of the aggregate principal amount of the Bonds, plus accrued interest, if any;

(j) Evidence satisfactory to the Trustee that the Issuer and the Trustee have delivered executed Letters of Representations to the Depository; and

(k) Such other documents, opinions of Counsel and certificates as the Trustee or Bond Counsel may require or as may be required by the Bond Purchase Agreement.

Upon receipt of the foregoing, the Trustee shall authenticate and deliver the Bonds as provided above.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate and deliver a new Bond of the same maturity, interest rate, principal amount and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Issuer and the Trustee evidence satisfactory to each of them of the ownership of such Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Trustee and the Issuer and compliance with such other reasonable requirements as the Issuer and Trustee may prescribe. The replacement of any Bond under this Section shall be in accordance with Michigan Compiled Laws Annotated Section 129.131 et. seq. If any such Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Bond the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge the holder of such Bond with their reasonable fees and expenses in this connection.

Section 2.08. Exchangeability and Transfer of Bonds; Persons Treated as Owners.

The Issuer shall cause the Bond Register to be kept by the Trustee, which is hereby constituted and appointed the bond registrar for the Bonds.

Any holder of a Bond, in person or by his duly authorized attorney, may transfer title to his Bond on the Bond Register, upon surrender thereof at the designated corporate trust office of the Trustee, together with a written instrument of transfer (in substantially the form of assignment attached to the Bond) executed by the holder or his duly authorized attorney. Upon surrender for registration of transfer of any Bond, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same aggregate principal amount and tenor as the Bond surrendered and of any Authorized Denomination.

Bonds may be exchanged upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the

Bondholder or his attorney duly authorized in writing, for an equal aggregate principal amount of Bonds of the same aggregate principal amount and tenor as the Bonds being exchanged and of any Authorized Denomination. The Issuer shall execute and the Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Such registrations of transfers or exchanges of Bonds shall be without charge to the holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Trustee for any such registration, transfer or exchange shall be paid by the Academy.

The Trustee shall not register any transfer of any Bond (or portion thereof) after notice calling such Bond (or portion thereof) for redemption or partial redemption has been given unless the holder delivers to the Trustee a written statement acknowledging that such Bond has been called for redemption and the date of such redemption.

The Person in whose name any Bond is registered on the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, except that payment of or on account of either principal, premium, if any, or interest shall be made only to or upon the order of the holder of record as of the Record Date or its duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

So long as the Bonds are held in book-entry form, the Issuer shall execute and the Trustee shall authenticate a Bond to be held by the Depository, which (i) shall be denominated in an amount equal to the aggregate principal amount of Bonds to be held by the Depository (provided that, unless such Bond is being issued on the Issue Date, the Trustee has received a like aggregate principal amount of Bonds for transfer in accordance with this Section 2.08), (ii) shall be registered in the name of the Depository or its nominee in accordance with this Section 2.08, (iii) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions, and (iv) shall bear a legend substantially to the effect that unless the Bond is presented by an authorized representative of the Depository to the Issuer or its agent for registration of transfer, exchange or payment, any transfer, exchange, pledge or other use for value or otherwise is wrongful.

All Bonds issued upon any transfer or exchange of Bonds shall be valid and binding limited obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

In executing any Bond upon any exchange or transfer provided for in this Section, the Issuer may rely conclusively on a representation of the Trustee that such execution is required.

Section 2.09. Cancellation. Matured Bonds and Bonds redeemed prior to maturity (as provided in Section 2.11) delivered to the trustee shall be canceled. The Trustee shall cremate or

other destroy canceled Bonds and shall not reissue such Bonds and shall deliver a certificate or other destruction to the Authority and the Academy. If the Trustee for its own account or the Academy shall acquire any of the Bonds, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Bonds unless and until the same are delivered to the Trustee for cancellation.

Section 2.10. Ratably Secured. All Bonds issued hereunder are and are to be, to the extent provided in this Indenture, equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds so that, subject as aforesaid, all Bonds at any time outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or some future date, except with respect to the Reserve Fund. The Reserve Fund secures the Series 2006 Bonds and any Additional Bonds issued hereunder.

Section 2.11. Redemption of Bonds.

(a) **Optional Redemption.** The Series 2006 Bonds are subject to optional redemption prior to maturity at the option of the Authority upon the direction of the Academy, all as provided in the form of Series 2006 Bonds set forth in Exhibit A upon notice as provided in the form of Series 2006 Bonds.

(b) **Mandatory and Extraordinary Redemption.** The Series 2006 Bonds which are term bonds shall be subject to mandatory redemption as provided in the form of Series 2006 Bonds, and shall be redeemed prior to maturity in accordance with the redemption requirements set forth in Exhibit B attached hereto.

Section 2.12. Partial Redemption of Bonds. If less than all the Outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Issuer shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the holder thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such holder, Bonds in any of the Authorized Denominations.

Section 2.13. Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Registered Owner of each Bond to be redeemed in whole or in part at its last address appearing on the Bond Register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond, or portion thereof with respect to which no such failure or defect has occurred. In addition, the Trustee may give such other notice or notices as may be recommended in releases,

letters, pronouncements or other writings of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. No defect in or delay or failure in giving any recommended notice described in the preceding sentence shall in any manner affect the notice of redemption described in the first sentence of this Section 2.13. Any notice mailed as provided in this Section 2.13 shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice.

All notices of redemption shall state:

- (a) the redemption date,
- (b) the redemption price,
- (c) the identification, including complete designation and issue date of the series of Bonds of which such Bonds are a part and the CUSIP number (and in the case of partial redemption, the respective principal amounts), interest rate and maturity date of the Bonds to be redeemed,
- (d) that on the redemption date the redemption price will become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after such date; and
- (e) The name and address of the Trustee for such Bonds, including the name and telephone number of a contact person and the place where such Bonds are to be surrendered for payment of the redemption price.

All Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided moneys for their redemption have been duly deposited with the Trustee. Thereafter, the holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond in an Authorized Denomination for any portion not redeemed.

Section 2.14. Book-Entry Only Registration of the Bonds.

(a) Except as provided in subparagraph (c) of this Section 2.14, the Registered Owner of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of the Depository. Payment of interest on any Bond, as applicable, shall be made in accordance herewith for the account of Cede on each Interest Payment Date at the address indicated for Cede in the Bond Register.

(b) The Bonds shall be initially issued in the form of a single fully registered Bond in the aggregate principal amount of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered on the Bond Register in the name of Cede, as nominee of the Depository. With respect to the Bonds so registered in the name of Cede, the Issuer, the Academy and the Trustee, shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, Cede or any Participant or any nominee of a Beneficial Owner with respect to any beneficial ownership interest in the Bonds, (ii) the delivery

to any Participant, Beneficial Owner or other person, other than the Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant, Beneficial Owner or other person, other than Cede, as nominee of the Depository, of any amount with respect to the principal or redemption price of, or interest on, the Bonds. The Issuer, the Academy and the Trustee may treat and deem Cede, as nominee of the Depository, as the absolute owner of each Bond for all purposes whatsoever, including (but not limited to) (i) payment of the principal or redemption price of, and interest on, each such Bond, (ii) giving notices of redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Trustee shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of Cede, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to such principal redemption price and interest, to the extent of the sum or sums so paid. So long as the Bonds are book-entry-only, no person other than the Depository shall receive a Bond evidencing the obligation of the Issuer to make payments of principal of and interest on, the Bonds pursuant to the Indenture. Upon delivery by the Depository to the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of this Indenture, the word "Cede" herein shall refer to such new nominee of the Depository; provided that, notwithstanding any provision of this Indenture to the contrary, until the termination of the book-entry-only system, the Bonds may be transferred in whole, but not in part, only to a nominee of the Depository, or by a nominee of the Depository to the Depository or any nominee thereof.

(c) (1) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee and discharging its responsibilities with respect thereto under applicable law.

(2) The Issuer, at the sole discretion and direction of the Academy and without the consent of any other person, may terminate the services of the Depository with respect to the Bonds if the Academy determines that the continuation of the system of book-entry-only transfer through the Depository is not in the best interests of the Beneficial Owners of the Bonds or is burdensome to the Issuer or the Academy.

(3) Upon the termination of the services of the Depository with respect to the Bonds pursuant to subsection (c)(1) or (2) hereof, the Bonds shall no longer be restricted to being registered on the Bond Register in the name of Cede as nominee of the Depository. In such event, the Issuer shall issue and the Trustee shall transfer and exchange Bond certificates of like principal amount, in Authorized Denominations to the Participants or the identifiable Beneficial Owners (as identified by the Depository or the Participants) in replacement of such Beneficial Owners' beneficial interests in the Bonds. Notwithstanding the preceding sentence, if the Academy designates a successor Depository, the Issuer shall issue and the Trustee shall transfer and exchange a Bond certificate, in such name as is directed by the successor Depository, in the amount of Bonds then Outstanding and the Trustee shall take such other action as is necessary so that the beneficial ownership interests of the Beneficial Owners are properly reflected on the records of the successor Depository and its Participants. In such event, references herein to "Cede" shall be deemed to refer to the successor Depository, or its nominee, as the context requires.

(d) The Issuer and the Trustee may conclusively rely on (i) a certificate of the Depository as to the identity of the Participants in the book-entry only system, and (ii) a certificate of such Participants as to the identity of, and the respective principal amounts of Bonds beneficially owned by, the Beneficial Owners.

(e) Whenever, during the term of the Bonds, Beneficial Ownership thereof is determined by a book entry at the Depository, the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Depository as to registering or transferring the book entry to produce the same effect.

(f) Notwithstanding anything in this Indenture to the contrary, the Issuer and the Trustee hereby agree as follows with respect to the Bonds, if and to the extent any Bond is registered in the name of Cede as nominee of the Depository: (i) the Trustee shall give the Depository all special notices required by the Letter of Representations at the times, in the forms and by the means required by the Letter of Representations; (ii) the Trustee shall make payments to Cede at the times and by the means specified in the Letter of Representations; (iii) Cede shall not be required to surrender Bonds which have been partially paid or prepaid to the extent permitted by the Letter of Representations; and (iv) the Trustee shall set a special record date (and shall notify the registered owners of the Bonds thereof in writing) prior to soliciting any Bondholder consent or vote, such notice to be given not less than 15 calendar days prior to such record date (any Bond transferred by a registered owner subsequent to the establishment of the special record date and prior to obtaining such consent or vote shall have attached to it a copy of the notice to Bondholders by the Trustee).

(g) NEITHER THE ISSUER, THE ACADEMY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THIS INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

Section 2.15. CUSIP Numbers. All payments of principal, premium and interest, whether by check or draft or wire transfer, shall be accompanied by the appropriate CUSIP number identification with appropriate dollar amounts for each CUSIP number.

Section 2.16. Additional Bonds. The Authority reserves the right to issue Additional Bonds, upon the request of the Academy with such approvals as required by the Enabling Legislation, without limit in one or more series for the purposes set forth in, and subject to the requirements of the Financing Agreement. Additional Bonds shall be of the same priority as the Series 2006 Bonds and all Bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, except as to the Reserve Fund, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. The Reserve Fund secures the Series 2006 Bonds only.

ARTICLE III

SECURITY; COVENANTS AND AGREEMENTS OF ISSUER

Section 3.01. Security. The Bonds and the interest and any premium thereon shall be a limited obligation of the Issuer as provided in Section 2.03 hereof, and shall be secured by and payable only from the following:

- (a) all Academy Repayments received by the Issuer under the Financing Agreement, which Academy Repayments are to be paid directly to the Trustee and deposited in the Bond Fund;
- (b) all moneys and securities in the Bond Fund, Reserve Fund and the Project Fund, including the proceeds of the Bonds pending disbursement thereof;
- (c) all of the Issuer's rights and interest in the Financing Agreement, except the Unassigned Rights;
- (d) all of the proceeds of the foregoing, including without limitation, investments thereof and Investment Income; and
- (e) the rights of the Trustee in and under (i) the Mortgage of the Facilities Developer and the Real Estate Covenant and Indemnity Agreement of the Academy, each dated as of May 1, 2006 or (ii) the Mortgage of the Academy (collectively, the "Mortgage Documents") with respect to the Project property.

The foregoing are collectively the "Security." In consideration of the purchase of the Series 2006 Bonds and to secure payment of the principal of, premium, if any, and interest on the Series 2006 Bonds and any other cost or pecuniary liability of the Issuer relating to the Series 2006 Bonds or any proceeding, document or certification incidental to the issuance of the Series 2006 Bonds, and to secure performance and observance of all covenants, terms and conditions upon which the Series 2006 Bonds are to be issued, including without limitation this Indenture, the Issuer, without warranty, pursuant to law hereby conveys, assigns and pledges all of its right, title and interest in, and grants a security interest in, the Security to the Trustee, and its successors and assigns, in trust for the benefit of the Bondholders.

Section 3.02. Payment of Bonds and Performance of Covenants. The Issuer shall promptly pay, but only out of the Security, the principal of, premium, if any, and interest on the Bonds at the place, on the dates and in the manner provided in the Bonds. The Issuer shall promptly perform and observe all covenants, undertakings and obligations set forth herein, in the Financing Agreement or the Bonds on its part to be performed or observed. The Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce against the Academy or any Person any rights of the Issuer under or arising from the Bonds or the Financing Agreement whether or not the Issuer is in default hereunder or under the Financing Agreement, but the Trustee shall not be deemed to have hereby assumed the obligations of the Issuer under the Financing Agreement, but rather shall have no obligations under the Financing Agreement except as specifically provided therein. The Issuer shall fully cooperate with the Trustee in the enforcement by the Trustee of any such rights. At the request of the Trustee, the Issuer, upon being indemnified to its satisfaction, shall take such actions as the Trustee shall reasonably request to enforce the rights of the Issuer or the Trustee under or arising from the Bonds or the Financing Agreement.

Section 3.03. Authority. The Issuer represents and warrants that (i) it is duly authorized under the Constitution and laws of the State to issue the Bonds, and to execute, deliver and perform the terms of this Indenture; (ii) all action on its part for the issuance of the Bonds and this Indenture have been duly taken; (iii) the Bonds upon issuance and authentication and this Indenture upon delivery, shall be valid and enforceable against the Issuer in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights and by general principles of equity; (iv) it has not heretofore conveyed, assigned, pledged, granted a security interest in or otherwise disposed of the Security; (v) it has not received any payments under the Financing Agreement and the entire principal balance remains outstanding; (vi) it has no knowledge of any right of set-off, defense or counterclaim to payment or performance of the terms or conditions of the Financing Agreement, and (vii) the execution, delivery and performance of this Indenture are not in contravention of law or any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound.

Section 3.04. No Litigation. The Issuer represents and warrants that (i) no litigation or administrative action of any nature has been served upon the Issuer for the purpose of restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery of this Indenture or the Financing Agreement or in any manner questioning the proceedings or authority under which they have occurred, or affecting their validity or its existence or authority of its present officers; (ii) no authority or proceeding for the issuance of the Bonds or for the payment or security thereof has been repealed, revoked or rescinded; (iii) no petition seeking to initiate any resolution or other measure affecting the same or the proceedings therefore has been filed and (iv) to the best of the knowledge of the officers of the Issuer executing this Indenture, none of the foregoing actions is threatened.

Section 3.05. Further Assurances. The Issuer covenants that it will cooperate to the extent necessary with the Academy and the Trustee in defenses of the Security against the claims and demands of all Persons, and will do, execute, acknowledge and deliver or cause to be done, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better pledging of the Security. The Issuer shall not cause or permit to exist any amendment, modification, supplement, waiver or consent with respect to the Financing Agreement without the prior written consent of the Trustee, which consent shall be governed by ARTICLE VIII of this Indenture.

Section 3.06. No Other Encumbrances. The Issuer covenants that except as otherwise provided herein, it will not sell, convey, mortgage, encumber or otherwise dispose of any portion of the Security.

Section 3.07. No Recourse. No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in this Indenture or the Bond Purchase Agreement, against any past, present or future member, official, officer, director or employee of the Issuer, or any successor organization, as such, either directly or through the Issuer or any successor organization, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, official, officer, director, agent or employee as such is hereby expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bonds.

Section 3.08. No Personal Liability. No director, member, officer or employee of the Issuer, including any person executing this Indenture or the Bonds, shall be liable personally on the Bonds or subject to any personal liability for any reason relating to the issuance, sale or repayment of the Bonds.

ARTICLE IV

FUNDS

Section 4.01. Establishment and Use of Bond Fund. There is hereby created and established with the Trustee a special fund to be designated the "Michigan Public Educational Facilities Authority – Walden Green Montessori 2006 Bond Fund" (the "Bond Fund"). Within the Bond Fund there shall be established separate trust accounts to be designated the "Revenue Account" and "State Aid Intercept Account" provided, however, no such account is required to be established and opened by the Trustee until such time as the account is needed under the provisions of this Indenture. Any other amounts received for deposit in the Bond Fund shall be deposited in the Revenue Account of the Bond Fund and shall not be commingled with any other moneys held by the Trustee.

There shall be deposited in the Revenue Account of the Bond Fund (a) any proceeds of the Series 2006 Bonds required to be deposited in the Bond Fund to pay accrued interest or capitalized interest, if any, on the Series 2006 Bonds; (b) all Academy Repayments under the Financing Agreement, including all proceeds resulting from the enforcement of the Security or

its realization as collateral; (c) investment earnings transferred from the Reserve Fund; and (d) all moneys received by the Trustee under the Financing Agreement for deposit in the Revenue Account of the Bond Fund, including Surplus Bond Proceeds, if any.

There shall be deposited in the State Aid Intercept Account of the Bond Fund all Academy Repayments under the Financing Agreement consisting of Scheduled Installment Payments.

Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority:

(a) first, amounts will be transferred to the Revenue Account of the Bond Fund satisfy any Installment Payment required to be made by the Academy;

(b) second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payment required to be made by the Academy;

(c) third, as specified in the Agreement and/or as periodically directed by an authorized officer of the Authority, amounts will be used to pay Additional Payments required to be made by Academy; and

(d) fourth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Installment Payments, Additional Payments and Reserve Fund Payments, if any, then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Authorizing Body or as otherwise directed by the Authority with the requirements of Section 505 of the Financing Agreement.

The Issuer hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable.

The Authority and Trustee shall at the direction of the Academy use such moneys to redeem Bonds in the manner and amount as directed, subject to the provisions for redemption of Bonds in the Indenture.

After payment of all principal of, premium, if any, and interest on the Bonds then due as of each October 1 and satisfaction of any other Additional Payments or Reserve Fund Payments then due, the Trustee shall determine the amount of excess funds then held in the Bond Fund as a result of such investment earnings and credit such amount towards the Installment Payment to be paid from the Academy's State School Aid intercepted on the next Payment Date.

In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay the principal of and interest on such Bonds shall have been made available to the Trustee for the benefit of the Bondholders, all liability of the Authority and any and all liability of the Academy to the Bondholders, respecting payment of such Bonds shall forthwith

cease and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Bondholders who shall thereafter be restricted exclusively to such funds for any claim under the Indenture or with respect to the Bonds or the interest thereon.

Section 4.02. Establishment, Use and Maintenance of Reserve Fund. The Reserve Fund shall be established with the Trustee. The Reserve Fund shall receive certain proceeds of the Series 2006 Bonds as described in Section 2.02 hereof and from time to time such additional moneys required to be deposited therein by the Academy pursuant to the Agreement.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2006 Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Series 2006 Bonds.

Earnings realized from Eligible Investments in the Reserve Fund shall be transferred to the Bond Fund on or after each April 1 and October 1, unless the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, in which case, earnings on the Reserve Fund shall be retained in the Reserve Fund until the amount on deposit therein equals the Reserve Fund Requirement.

Section 4.03. Establishment and Use of Project Fund. There is hereby created and established with the Trustee a special fund to be designated the “Michigan Public Educational Facilities Authority – Walden Green Montessori 2006 Project Fund”. Certain proceeds of the Bonds, as described in Section 4.04 hereof, shall be delivered to the Trustee for deposit into the Project Fund. Any moneys received by the Trustee from any source for the Project shall also be deposited in the Project Fund. Moneys in the Project Fund shall be expended and disbursed to pay Costs of the Project in accordance with the provisions of the Financing Agreement. The moneys in the Project Fund shall be held in trust by the Trustee and, pending application to pay Costs of the Project, shall be held as trust funds under this Indenture until paid out or transferred as provided in the Financing Agreement. Upon receipt of the Completion Certificate under the Agreement, the Trustee shall deposit the Surplus Bond Proceeds, if any, in the Revenue Account of the Bond Fund to be used to pay principal or interest on the Series 2006 Bonds on the next available Bond Payment Date.

Section 4.04. Deposit of Bond Proceeds. The net proceeds from the sale of the Bonds, after provision is made for any payments to the Revenue Account of the Bond Fund under Section 4.01 and the Reserve Fund under Section 4.02 shall be deposited into the Project Fund.

Section 4.05. Account Statements. The Trustee shall keep and maintain adequate account statements, including receipts and statements of disbursements, deposits and investments, pertaining to the Project Fund, Bond Fund and Reserve Fund. The Trustee shall provide monthly transaction and asset statements pertaining to such Funds to the Academy and to the Issuer. Although the Academy recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Academy hereby

agrees that confirmations of Eligible Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 4.06. Investment of Fund Moneys. Moneys held as part of the Project Fund, the Bond Fund and the Reserve Fund shall be invested and reinvested at the written direction of the Academy in Eligible Investments in accordance with the provisions of the Financing Agreement. The Trustee may conclusively rely upon such instructions as to the suitability of the directed investments. In the event no such instructions are received by the Trustee, such amounts shall be invested in Eligible Investments described in clause (j) of the definition thereof, pending receipt of such investment instructions. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries. Any Eligible Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund and account which was used to purchase the same. All interest accruing thereon and any profit realized from Eligible Investments shall be credited to the respective fund or account and any loss resulting from Eligible Investments shall be similarly charged. At the written direction of the Academy, the Trustee shall cause to be sold and reduced to cash a sufficient amount of Eligible Investments whenever the cash balance is or will be insufficient to make a requested or required disbursement from the applicable Fund. The Trustee shall not be accountable for any depreciation in the value of any Eligible Investment or for any loss resulting from such sale.

Section 4.07. Arbitrage. The Issuer recognizes that investment of the Bond proceeds will be at the written direction of the Academy, but agrees that it will commit no act that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. The Trustee covenants that, while recognizing that investment of Bond proceeds will be at the written direction of the Academy, should the Issuer file with the Trustee, or should the Trustee otherwise receive, an opinion of Bond Counsel, to the effect that any proposed investment or other use of proceeds of the Bonds would cause the Bonds to become “arbitrage bonds”, then the Trustee will comply with any instructions of the Issuer or such Bond Counsel regarding such investment or use so as to prevent the Bonds from becoming “arbitrage bonds”. The Trustee shall file a copy of any such opinion of Bond Counsel with the Issuer and the Academy.

Section 4.08. Repayment to the Academy From the Funds. Any amounts remaining in the Project Fund, the Bond Fund and the Reserve Fund after payment in full of the Bonds, the fees and expenses and other costs specified in ARTICLE V of the Financing Agreement, and all other amounts required to be paid under the Financing Agreement or the Indenture, shall be paid to the Academy upon full payment of the Financing Agreement.

ARTICLE V

DISCHARGE OF LIEN

Section 5.01. Discharge of Lien and Security Interest. Subject to the next paragraph, upon payment in full of the Bonds, the lien of this Indenture upon the Security shall cease, terminate and be void, and thereupon the Trustee, upon determining that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, and upon payment of the Trustee's fees, costs and expenses hereunder, shall (i) cancel and discharge this Indenture and the security interests, (ii) execute and deliver to the Issuer and the Academy such instruments in writing as shall be required to cancel and discharge this Indenture and the security interests, (iii) reconvey, as applicable, to the Issuer and the Academy the Security, and (iv) assign and deliver to the Issuer and the Academy so much of the Security as may be in its possession or subject to its control, except for moneys and Government Obligations held in the Bond Fund for the purpose of paying Bonds; provided, however, such cancellation and discharge of this Indenture shall not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds; and provided, further, that the rights of the Issuer and the Trustee to indemnity and payment of all reasonable fees and expenses shall survive.

If payment or provision therefor has been made with respect to all the Bonds, the interest of the Trustee in the Financing Agreement shall cease and the Trustee shall cancel the Financing Agreement and return the same to the Academy. Neither the obligations nor moneys deposited with the Trustee pursuant to this ARTICLE V shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust, for the payment of the principal, premium, if any, and interest on the Bonds in accordance with the terms of this Indenture.

Section 5.02. Provision for Payment of Bonds. Bonds shall be deemed to have been paid within the meaning of Section 5.01 if:

(a) there have been irrevocably deposited in the Bond Fund either cash or noncallable Government Obligations, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (such earnings to be held in trust also), be sufficient, for the payment at their respective maturities or redemption dates prior to maturity, of the principal thereof and the redemption premium (if any) and interest to accrue thereon to such maturity or redemption dates, as the case may be;

(b) there have been paid all fees, costs and expenses of the Issuer and the Trustee the due or to become due or there are sufficient moneys in the Bond Fund to make such payments;

(c) if any Bonds are to be redeemed on any date prior to their maturity, the Trustee has received in form satisfactory to it irrevocable instructions to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices; and

(d) the Trustee shall have received a written opinion of Bond Counsel to the effect that such deposit (and the payment of the Bonds therefrom) will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

In determining the sufficiency of the moneys and/or Government Obligations deposited pursuant to subsection (a) of this Section 5.02, the Trustee shall be entitled to receive, at the expense of the Academy, and may rely on a verification report of a firm of nationally recognized independent certified public accountants.

Limitations elsewhere specified herein regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in the Bond Fund of the obligations described in the preceding subparagraph (a)(ii) for the purpose of defeasing the lien of this Indenture as to Bonds which have not yet become due and payable. In addition, all moneys so deposited with the Trustee as provided in this Section 5.02 may also be invested and reinvested, at the written direction of the Academy, in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Section 5.02 which is not required for the payment of the Bonds and interest and redemption premium, if any, thereon with respect to which such moneys shall have been so deposited under this Section 5.02 shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund.

Section 5.03. Discharge of this Indenture. Notwithstanding the discharge and cancellation of the lien of this Indenture upon the Security under Section 5.01, this Indenture and the rights granted and duties imposed hereby, to the extent not inconsistent with such discharge and cancellation of the lien upon the Security, shall nevertheless continue and subsist after payment in full of the Bonds until the Trustee shall have returned to the Academy all funds held by the Trustee in the Bond Fund, the Project Fund and the Reserve Fund pursuant to Section 4.08 of this Indenture.

Section 5.04. Unclaimed Moneys. Any moneys deposited with the Trustee in accordance with the terms and provisions of this Indenture, or any moneys held by any paying agent, in trust for the payment of the principal of and redemption premium, if any, or interest on the Bonds and remaining unclaimed by the Registered Owners of the Bonds for five years after the final maturity of all Bonds issued hereunder or the redemption date of all the Bonds, as the case may be, shall be applied by the Trustee in accordance with the Uniform Unclaimed Property Act, Act. No. 29, Public Acts of Michigan, 1995, as amended from time to time. The Issuer and the Trustee shall have no responsibility with respect to such moneys.

ARTICLE VI

DEFAULT PROVISIONS AND REMEDIES

Section 6.01. Events of Default. Any one of the following shall constitute an Event of Default hereunder:

- (a) Default in the payment of any interest on any Bond when and as the same is due;
- (b) Default in the payment of the principal of or any premium on any Bond when and as the same is due, whether at the stated maturity or redemption date thereof or by acceleration;
- (c) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Issuer included in this Indenture or in the Bonds and the continuance thereof for a period of 30 days after the Trustee or the holders of not less than 51% in principal amount of the Bonds gives written notice to the Issuer and the Academy; provided, however, if such Default is such that it cannot be cured within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Trustee, is correctable and will not have a material adverse effect on the Bondholders or any of the security for the Series 2006 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected; or
- (d) The occurrence of an “Event of Default” as defined in the Financing Agreement.

Section 6.02. Acceleration. Upon the occurrence of any Event of Default hereunder, the Trustee may and upon (i) the written request of the holders of not less than twenty-five percent in aggregate principal amount of Bonds then Outstanding or (ii) the occurrence of an Event of Default under subsection (a) or (b) (c) (f) (g) or (h) of Section 7.01 hereof, the Trustee shall immediately, by notice in writing sent to the Issuer, declare the principal of and any premium on all Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon such declaration, such principal and premium, if any, and interest shall become and be immediately due and payable. Interest on the Bonds shall cease to accrue on the date of such declaration. Upon any declaration of acceleration hereunder, the Trustee shall immediately exercise such rights as it may have under the Financing Agreement to declare all payments thereunder to be immediately due and payable and, to the extent it has not already done so.

Immediately following any such declaration of acceleration, the Trustee shall mail notice of such declaration by first class mail to each holder of Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

Section 6.03. Other Remedies; Rights of Bondholders. Upon the happening and continuance of an Event of Default hereunder the Trustee may, with or without taking action under Section 6.02 hereof, pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of this Indenture or the Financing Agreement, the Collateral Documents or any other security provided by the Academy.

Subject to Section 6.02 hereof, upon the happening and continuance of an Event of Default, and if requested to do so by the holders of at least fifty-one percent in aggregate principal amount of Bonds then Outstanding and the Trustee is indemnified as provided in Section 7.01 hereof, the Trustee shall exercise such of the rights and powers conferred by this Section and by Section 6.02 hereof as the Trustee, being advised by Counsel, shall deem most effective to enforce and protect the interests of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

The Trustee, as the assignee of all right, title and interest of the Issuer in and to the Financing Agreement (with the exception of the Unassigned Rights), shall be empowered to enforce each and every right granted to the Issuer under the Financing Agreement (with the exception of the Unassigned Rights).

In addition to and without limitation of the foregoing, the Trustee shall not otherwise be obligated to acquire possession of or take any other action with respect to the property subject to the Mortgage (the “Mortgaged Property”), if as a result of any such action, the Trustee would be considered to hold title to, to be a “mortgagee-in-possession of”, or to be an “owner” or “operator” of the Mortgaged Property within the meaning of the Comprehensive Environmental Responsibility Cleanup and Liability Act of 1980, as amended from time to time, unless the trustee has previously determined, based on a report prepared by a person who regularly conducts environmental audits, that:

- (a) the Mortgaged Property is in compliance with applicable environmental laws or, if not, that it would be in the best interest of the owners of the Bonds to take such actions as are necessary for the Mortgaged Property to comply therewith; and

(b) there are not circumstances present at the Mortgaged Property relating to the use, management or disposal of any hazardous wastes for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best economic interest of the owners of the Bonds to take such actions with respect to the Mortgaged Property.

The environmental audit report contemplated hereby shall not be prepared by an employee or affiliate of the Trustee, but shall be prepared by a person who regularly conducts environmental audits for purchasers of commercial property, as determined (and, if applicable, selected) by the Trustee, and the cost hereof shall be borne by the Academy or the Bondholders but in no event by the Authority.

Notwithstanding anything contained herein or in the Mortgage to the contrary, before taking any action under this Section 6.03, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished to it for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, demands, damages, losses, penalties, fines, fees, costs, liabilities (including strict liability) and expenses which may result from such action.

Section 6.04. Right of Bondholders to Direct Proceedings. If a Default occurs of which the Trustee is by reason of Section 7.01(j) deemed to have notice, then the Trustee within forty-five days after the occurrence thereof (unless such Default shall have been cured or waived) shall give notice of such Default to the Registered holders of the Outstanding Bonds at the address then shown on the Bond Register. The holders of no less than 51% of the principal amount of Bonds then Outstanding may by written instrument filed with the Trustee (i) notify the Trustee, the Authority and the Academy of the existence of a Default or Event of Default, upon which notice the Trustee shall be conclusively presumed to have such notice, (ii) request the Trustee to give written notice of a Default or Event of Default to the Academy and the Authority or give such notice themselves under the provisions of Section 6.01, (iii) as to any Event of Default, request the Trustee to exercise any of the remedies under Section 6.02, upon which request, subject to right of indemnification, the Trustee shall exercise such remedy, (iv) as to any Event of Default, direct the method and place of conducting all proceedings to be taken in connection with the exercise of any remedy, (v) request the waiver of any Event of Default and rescission of the declaration of maturity of principal or termination of any proceedings in connection with the exercise of any remedies; provided, however that there shall be not such waiver, rescission or termination unless all arrears of principal and interest on the Bonds, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bonds and all fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, in connection with such Event of Default shall have been paid or provided for, and (vi) request the Trustee to intervene in any judicial proceeding to which the Authority or the Academy is a party which may have substantial bearing on the interests of holders of the Bonds, and subject to right of indemnification, the Trustee shall so intervene, subject to the approval of a court exercising jurisdiction.

In the event the holders of not less than 51% of the principal amount of Bonds then Outstanding shall direct the Trustee to exercise one or more of the foregoing rights or one or more of the remedies upon an Event of Default herein authorized and shall reasonably indemnify the Trustee for all costs and expenses in the exercise of said rights and remedies as provided in Section 7.01(h) and the Trustee shall fail to take such designated action as directed within 30 days after receiving written notice of the same and being so indemnified, such Bondholders shall have the right to exercise any and all of the rights and remedies herein authorized in the same manner as if the same had been instituted by the Trustee.

Bondholders shall have the right to bring individual action only to enforce payment of the principal of and interest on the Bonds of the respective holders thereof at the respective due dates thereof, but only if the Trustee has not taken similar action.

No Bondholder shall have the right to institute any proceeding for the enforcement of this Indenture unless such Bondholder has given the Trustee and the Academy written notice of an Event of Default, the holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, and there shall have been offered to the Trustee indemnity and the Trustee shall have thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable time. Nothing in this Indenture shall affect or impair any right of enforcement conferred on any Bondholder hereof by the Enabling Legislation to enforce (i) the payment of the principal of and premium (if any) and interest on Bonds at and after the maturity thereof, or (ii) the obligation of the Issuer to pay the principal of and premium (if any) and interest on Bonds to such Bondholder at the time, place, from the source and in the manner as provided in this Indenture.

Section 6.05. Discontinuance of Default Proceedings. In case the Trustee has proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken subject to the limits of any adverse determination.

Section 6.06. Waiver. With the written consent of the holders of not less than 51% of the principal amount of the Bonds then Outstanding, the Trustee may waive any Default or Event of Default hereunder and its consequences and rescind any declaration of maturity of principal provided there shall have been deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to the occurrence of such Event of Default and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been

made therefor or otherwise waived by such Bondholders. In case of any such waiver or rescission, the Authority, the Academy, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to or affect any subsequent or other Default or Event of Default, or impair any right consequent thereon.

No delay or omission to exercise any power accruing upon Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 6.07. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this ARTICLE VI shall be deposited in the Bond Fund. After payment of (i) the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee and the creation of a reserve for anticipated fees, costs and expenses, including reasonable attorneys' fees, and all other current outstanding fees and expenses of the Trustee, and (ii) any sums due to the Issuer under the Financing Agreement (other than Academy Repayments), such moneys shall be applied in the order set forth below:

(a) Unless the principal on all Bonds shall have become or been declared due and payable, all such money shall be applied:

First – To the payment of all installments of interest then due on the Bonds in order of maturity of such installments of interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment,

Second – To the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due (at the rate borne by the Bonds, to the extent permitted by law) and, if the amount available shall not sufficient to pay in full Bonds due on any particular date, together with such interest, then to the ratable payment of the amounts due on such date; and

Third – To the payment of any bond servicing costs as the Trustee may be directed in writing by an authorized officer of the Authority.

(b) If the principal on all Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under this Article then, subject to paragraph (b) of this Section in the event that the principal of all the Bonds shall later become or be declared due and payable, the moneys shall be applied in accordance with paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the trustee by the Indenture. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to e made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

ARTICLE VII

THE TRUSTEE

Section 7.01. Appointment. The Trustee is hereby appointed and does hereby agree to act in such capacity, and to perform the express duties of the Trustee under this Indenture, but only upon and subject to the following express terms and conditions (and no implied covenants or other obligations shall be read into this Indenture against the Trustee):

(a) The Trustee may execute any of its trusts or powers and perform any of its duties herein by or through attorneys, agents, receivers or employees, and shall be entitled to rely on advice of Counsel and other professionals concerning all matters of such trusts, powers and duties. The Trustee shall not be answerable for the default or misconduct of any attorney, agent, receiver or employee selected by it with reasonable care, and may in all cases pay such Persons reasonable compensation. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatsoever in connection with its trusts, powers and duties herein, except only for its gross negligence or willful misconduct.

(b) The Trustee shall not be responsible for any recital herein or in the Bonds (except with respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for the validity of the execution by the Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the Security for the Bonds. Except as otherwise provided in Section 6.02 hereof, the Trustee shall have no obligation to perform any of the duties of the Issuer under the Financing Agreement, and the Trustee shall not be liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.06 hereof. The Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted to or delivered to any Bondholder in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder after such Bonds shall have been delivered in accordance with instructions of the Issuer or for the use by the Academy of the proceeds of the Loan (as defined in the Financing Agreement). The Trustee may become the owner of Bonds with the same rights as any other Bondholder.

(d) The Trustee shall be protected in acting upon opinions of counsel and upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by an authorized representative of such Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of any Bond (such ownership to be established as provided in Section 2.08 hereof), shall be conclusive and binding upon all future owners or holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(e) The permissive right of the Trustee to do things enumerated in this Indenture or the Financing Agreement shall not be construed as duties. The Trustee shall only be responsible for the performance of the duties expressly set forth herein and shall not be answerable for other than its gross negligence or willful misconduct in the performance of those express duties.

(f) The Trustee shall not be personally liable for any debts contracted or for damages to Persons or to personal property injured or damaged, or for salaries or non-fulfillment of contracts, relating to the Project.

(g) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers or otherwise hereunder.

(h) Before taking any action requested hereunder, the Trustee may require that satisfactory security or indemnity be furnished to it for the reimbursement of all fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own gross negligence or willful misconduct by reason of any action so taken.

(i) All moneys received by the Trustee, until used or applied or invested as herein provided, shall be held as special trust funds for the purposes specified in this Indenture and for the benefit and security of the holders of the Bonds as herein provided. Such moneys need not be segregated from other funds except to the extent required by law or herein provided, and the Trustee shall not otherwise be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(j) The Trustee shall not be bound to ascertain or inquire as to the performance of the obligations of the Academy under the Financing Agreement or the Issuer under this Indenture, and shall not be deemed to have, or required to take, notice of a Determination of Taxability or an Event of Default under this Indenture, except (i) in the event the Academy fails to pay any Academy Repayment when due, (ii) in the event of an insufficient amount in the Bond Fund (or any account therein) to make a principal or interest payment on the Bonds, (iii) upon written notification actually received by the Trustee of a Determination of Taxability from the Academy, the Issuer or the holder of any Bonds, (iv) upon written notification actually received by the Trustee of a default or Event of Default from the Issuer, the Academy or the holders of not less than 25% of the principal amount of Outstanding Bonds. In

the absence of such notice, the Trustee may conclusively presume there is no Determination of Taxability and no Event of Default except as aforesaid. The Trustee may nevertheless require the Issuer and the Academy to furnish information regarding performance of their obligations under the Financing Agreement and this Indenture, but is not obligated to do so.

(k) The Trustee shall, prior to any Event of Default and after the curing of all Events of Default which may have occurred, perform such duties and only such duties of the Trustee as are specifically set forth in this Indenture and the Financing Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture and the Financing Agreement and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The foregoing shall not limit the Trustee's obligations under Section 6.02 hereof.

(l) In the event that the Trustee receives direction from Bondholders under any section of this Indenture which permits Bondholders to direct the actions of the Trustee, the Trustee shall only be required to act pursuant to the direction of the Bondholders which represent the largest percentage in aggregate principal amount of the Outstanding Bonds at the time such direction is issued to the Trustee (the "Majority Direction"). The Trustee may act pursuant to other directions of Bondholders to the extent that such direction is not inconsistent with the Majority Direction. The Trustee shall not be liable for a failure to act upon any direction except the Majority Direction when acting pursuant to this Section 7.01(l). Nothing in this Section 7.01(l) shall be construed to modify or amend any section hereof which requires a minimum number of Bondholders to direct the Trustee to take certain action before the taking of such action by the Trustee becomes mandatory.

Section 7.02. Fees, Expenses. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its ordinary services rendered hereunder and all advances, counsel fees and other ordinary expenses reasonably made or incurred by the Trustee in connection with such ordinary services. If it becomes necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable extraordinary expenses in connection therewith; provided, that if such extraordinary services or extraordinary expenses are occasioned by the gross negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor.

The Trustee shall also be indemnified by the Academy as provided in the Financing Agreement. The Trustee recognizes that all fees, charges and other compensations to which it may be entitled under this Indenture are required to be paid by the Academy under the terms of the Financing Agreement or from funds derived from the Project or from the proceeds of the Bonds. Accordingly, the Trustee agrees that except for moneys that the Issuer may derive from the foregoing (excluding, however, the moneys for the issuance fee, administrative costs, taxes and other public service charges and indemnity under the Financing Agreement) the Issuer shall not be liable for any such fees, charges and other compensation to which the Trustee may be entitled. Payment of all such amounts shall however, be secured by the Security as set forth herein.

As security for the payment of the Trustee's fees, costs and expenses and for the indemnity provided in this Section 7.02, the Trustee shall have a first lien on all moneys and property coming into its possession.

When the Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Issuer or the Academy, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The Academy's payment obligations under this Section shall survive the discharge of this Indenture, and shall not be limited by any law affecting the compensation of a trustee of an express trust.

Section 7.03. Intervention in Litigation. In any judicial proceeding to which the Issuer or the Academy is a party, and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the holders of the Outstanding Bonds, the Trustee may intervene on behalf of the Owners of the Bonds and shall do so if requested in writing by the holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, and when provided with sufficient indemnity pursuant to Section 7.01(h) hereof.

Section 7.04. Resignation; Appointment of Successor Trustee; Successor Trustee Upon Merger, Consolidation or Sale.

(a) The Trustee and any successor Trustee may resign only upon giving 30 days' prior written notice to the Issuer, the Academy and the Bondholders. Such resignation shall take effect only upon the appointment of a successor Trustee as described in Section 7.04(b) below and the acceptance of such appointment by the successor Trustee. Upon appointment of a successor Trustee, the resigning Trustee shall, after payment of its fees, costs and expenses, assign all of its right, title and interest in the Security, and transfer and assign its right, title and interest in the Indenture to the successor Trustee. The successor Trustee shall meet the requirements of Section 7.04(b) below and shall accept in writing its duties and responsibilities hereunder and file such acceptance with the Issuer and the Academy.

(b) In case the Trustee shall give notice of resignation or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public office or offices, or of a receiver appointed by a court, a successor may with the prior written consent of the Academy (to the extent that no "Event of Default" shall have occurred and be continuing under the Financing Agreement), be appointed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their duly authorized attorneys in fact, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the Issuer, the retiring Trustee, the successor Trustee and the Academy. In the absence of an appointment by the Bondholders, the Issuer may, with the consent of the Academy (to the extent that no "Event of Default" shall have occurred and be continuing under the Financing Agreement), appoint a successor Trustee, by an instrument in writing signed by an authorized officer of the Issuer, a copy of which shall be

delivered personally or sent by first class mail, postage prepaid, to the retiring Trustee, the successor Trustee and the Academy. If the Registered Owners and the Issuer fail to so appoint a successor Trustee, hereunder within sixty (60) days after the Trustee has given notice of its resignation, has been removed, has been dissolved, has otherwise become incapable of acting hereunder or has been taken under control by a public officer or receiver, the Trustee shall have the right to petition a court of competent jurisdiction to appoint a successor hereunder. Every such Trustee appointed pursuant to the provisions of this Section 7.04 (i) shall at all times be a bank having trust powers or a trust company, (ii) shall at all times be organized and doing business under the laws of the United States of America or of any state, (iii) shall have, or be wholly owned by an entity having, a combined capital and surplus of at least \$50,000,000, (iv) shall be authorized under such laws to exercise corporate trust powers, and (v) shall be subject to supervision or examination by federal or state authority.

(c) Any corporation or association into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, provided such company shall be eligible under Section 7.04(b) hereof, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

Section 7.05. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing (a) delivered to the Trustee, the Issuer and the Academy and signed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, or (b) delivered to the Trustee and the Issuer and signed by the Academy; provided that if an Event of Default has occurred and is continuing hereunder, the Trustee may not be removed without the consent of the holders of a majority in aggregate principal amount of the Bonds then Outstanding. No removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment in the manner provided in Section 7.04 hereof. Upon such removal and the payment of its fees, costs and expenses, the Trustee shall assign to the successor Trustee all of its right, title and interest in the Security in the same manner as provided in Section 7.04 hereof.

Section 7.06. Instruments of Bondholders. Any instrument required by this Indenture to be executed by Bondholders may be in any number of writings of similar tenor and may be executed by Bondholders in person or by an agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent shall be sufficient for any of the purposes of this Indenture if it is established by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof. Proof of the ownership of Bonds shall be established by the ownership records noted in the Bond Register.

The Trustee may rely on such an instrument of Bondholders unless and until the Trustee receives notice in the form specified above that the original such instrument is no longer trustworthy. In the event that the Trustee receives conflicting directions from two groups of Bondholders, each with combined holdings of not less than 25% of the principal amount of Outstanding Bonds, the directions given by the group of Bondholders which hold the largest percentage of Bonds shall be controlling and the Trustee shall follow such directions as required in this Indenture.

Section 7.07. Appointment of Separate or Co-Trustee. It is the intent of the parties to this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the rights of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Financing Agreement, and in particular in the case of the enforcement of this Indenture on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee, or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section 7.07 are adapted to these ends.

If the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, duty, obligation, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee with respect thereto shall be exercisable by, vested in and conveyed to such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary for the exercise thereby by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed by the Trustee for more fully vesting in and confirming to them such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. If any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting or not be qualified to act, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such separate trustee or co-trustee.

ARTICLE VIII

AMENDMENTS, SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures. The Issuer and the Trustee without the consent of or notice to any Bondholders, may enter into an indenture or indentures supplemental to this Indenture and not inconsistent herewith for one or more of the following purposes:

(a) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture which do not materially adversely affect the interest of the Bondholders;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) To grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under this Indenture;

(d) To modify, amend or supplement this Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;

(e) To appoint a successor Trustee, separate trustees or co-trustees in the manner provided in ARTICLE VII;

(f) To comply with the provisions of this Indenture pertaining to supplemental indentures in connection with the issuance of Additional Bonds;

(g) To maintain the exclusion of interest on the Bonds from gross income for federal or State of Michigan income tax purposes;

(h) To make any other change which the Trustee and the Authority determine, in reliance on an opinion of Counsel, will not have a material adverse effect on Bondholders; or

To accomplish, implement, or give effect to any other action which is authorized or required by the Agreement or this Indenture.

When requested by the Issuer or the Academy, and upon receipt of an opinion of Bond Counsel to the effect that all conditions precedent under this Indenture have been met, the Trustee shall join the Issuer in the execution of any such supplemental indenture. A copy of all such supplemental indentures shall be promptly furnished to the Academy.

Section 8.02. Amendments to Indenture; Consent of Bondholders and the Academy. Exclusive of supplemental indentures covered by Section 8.01 hereof and subject to the terms and provisions contained in this Section 8.02, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding and affected by such indenture or indentures supplemental hereto shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and direct the execution by the Trustee of such other indenture or indentures supplemental hereto as shall be consented to by the Issuer, which consent shall not be unreasonably withheld, for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or

provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Article shall permit, or be construed as permitting (a) without the consent of the holders of all Bonds then outstanding (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (ii) a reduction in the principal amount of, or the premium or the rate of interest on, any Bond, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) the creation of a lien prior to the lien of this Indenture, (v) a reduction in the aggregate principal amount of the Bonds required for consent to any supplemental indenture, or (b) a modification or change in the duties of the Trustee hereunder without the consent of the Trustee. The giving of notice to and consent of the Bondholders to any such proposed supplemental indenture shall be obtained pursuant to Section 8.06.

Anything herein to the contrary notwithstanding, a supplemental indenture, amendment or other document described under this ARTICLE VIII which affects any rights or obligations of the Academy shall not become effective unless and until the Academy consents to the execution of such supplemental indenture, amendment or other document.

Section 8.03. Amendments to Financing Agreement Not Requiring Consent of Bondholders. The Issuer and the Borrower may with the consent of the Trustee but without the consent of or notice to any of the Bondholders, enter into or permit any amendment of the Financing Agreement acceptable to the Academy as may be required (i) to cure any ambiguity or formal defect or omission which shall not adversely affect the interest of the Bondholders; (ii) to grant or pledge to the Issuer or Trustee, for the benefit of the Bondholders, any additional security; or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not materially adverse to the Trustee or the Bondholders.

Copies of any such amendments to the Financing Agreement shall be filed with the Trustee.

Section 8.04. Amendments to Financing Agreement Requiring Consent of Bondholders. Except as provided in Section 8.03 hereof, the Issuer shall not enter into, and the Trustee shall not consent to, any other modification or amendment of the Financing Agreement, nor shall any such modification or amendment become effective, without the consent of the holders of not less than a majority of the aggregate principal amount of the Bonds at the time Outstanding, such consent to be obtained in accordance with Section 8.06 hereof. No such amendment may, without the consent of the holders of all the Outstanding Bonds, reduce the amounts or delay the times of payment of Academy Repayments under the Financing Agreement.

Copies of any such amendments to the Financing Agreement shall be filed with the Trustee.

Section 8.05. Amendments, Changes and Modifications to the Financing Agreement. The Trustee may, without the consent of the owners of the Bonds, consent to any amendment of the Financing Agreement as may be required for purposes of curing any ambiguity, formal defect or omission which, in the Trustee's judgment, acting in reliance upon

an opinion of Counsel, does not prejudice in any material respects the interests of the Bondholders. Except for such amendments, the Financing Agreement may be amended only with the consent of the Issuer, the Trustee and the owners of a majority in aggregate principal amount of Outstanding Bonds, except that no such amendment may be made which would reduce the amounts required to be paid or the time for payment of such amounts under the Financing Agreement without the written consent of the owners of all the Outstanding Bonds.

Copies of any such amendments, changes or modifications to the Financing Agreement shall be filed with the Trustee.

Section 8.06. Notice to and Consent of Bondholders. If consent of the Bondholders is required under the terms of this Indenture for the amendment of this Indenture or the Financing Agreement for any other similar purpose, the Trustee shall cause notice of the proposed execution of the amendment or supplemental indenture to be given by first class mail to the last known holders of the Outstanding Bonds then shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment, supplemental indenture or other action and shall state that copies of any such amendment, supplemental indenture or other document are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice the holders of a majority or all, as the case may be, of the principal amount of the Bonds Outstanding by instruments filed with the Trustee shall have consented to the amendment, supplemental indenture or other proposed action, then the Trustee may execute such amendment, supplemental indenture or other document or take such proposed action and the consent of the Bondholders shall thereby be conclusively presumed.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Bondholders and the Academy any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the parties hereto, the Bondholders and the Academy as herein provided.

Section 9.02. Severability. If any provision of this Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other part or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses or Sections of this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

Section 9.03. Notices. Except as otherwise provided herein, all notices, certificates, or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, telecopy or other electronic means addressed as follows:

If to the Issuer: Michigan Public Educational Facilities Authority
Richard H. Austin State Office Building, 1st Floor
430 W. Allegan
Lansing, Michigan 48922
Tel: (517) 335-0994
Fax: (517) 241-9509

If to the Academy: Walden Green Montessori
17771 W. Spring Lake Road
Spring Lake, Michigan 49456-1447
Attn: Thomas A. Hicks
Tel: (616) 842-4523
Fax: (616) 842-4522

If to the Trustee: Wells Fargo Bank, N.A.
300 North Meridian Street
16th Floor
Indianapolis, Indiana 46204-1751
Attn: Corporate Trust Services, John Alexander
Tel: (317) 977-1160
Fax: (317) 977-1118

A duplicate copy of each notice given hereunder by either party hereto shall be given to the Trustee, the Issuer and the Academy. Any person or entity listed above may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. For purposes of this Section, "electronic means" shall mean telecopy or facsimile transmission or other similar electronic means of communication which produces evidence of transmission.

Section 9.04. Additional Notices to Rating Agencies. The Trustee hereby agrees that if at any time (a) there is a change in the Trustee; (b) there are any modifications, supplements or amendments to the Indenture, Financing Agreement of which the Trustee has notice; or (c) all of the Bonds are paid in full; then, in each case, the Trustee shall promptly give notice of any such event to each Rating Agency then maintaining a rating on the Bonds, if any, which notice in the case of an event described in clause (b) above shall include a copy of any such amendment, modification or supplement.

Section 9.05. Payments Due on Non-Business Days. In any case where the date of maturity of interest on or premium, if any, or principal of the Bonds or the date fixed for redemption of any Bonds shall not be a Business Day, then payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest shall accrue for the period from and after such date.

Section 9.06. Interest Computation. The interest on the Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months thereafter.

Section 9.07. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the Issuer and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in this Indenture.

Section 9.08. Captions. The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Indenture.

Section 9.09. Governing Law. This Indenture shall be governed by and interpreted in accordance with the laws of the State.

Section 9.10. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARTICLE X

REQUESTS FOR INFORMATION

Section 10.01. Periodic Academy Filings.

(a) The Trustee shall maintain a file (which may be in electronic form) of the Academy's quarterly filings of its unaudited Statement of Net Assets, Balance Sheet and General Fund Budget and its end-of-year audited financial reports on the operations of the Academy during its just completed fiscal year, each to the extent made with the Trustee as required by the Financing Agreement.

(b) The Trustee shall maintain a file of any written requests for a copy of such reports, received by the Trustee from any Beneficial Owner of any Series 2006 Bond, which requests each must contain the Beneficial Owner's express representation and request to substantially this effect:

(i) The undersigned represents to the Trustee, the Authority and the Academy that the undersigned currently owns \$ _____ aggregate principal amount of Michigan Public Educational Facilities Authority Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006 which the undersigned purchased from

(ii) This is a continuing request to the Trustee to provide to the undersigned; at the address set forth below or such other address as we hereafter in writing tell the Trustee, a copy of each unaudited financial and budget report, end-of-year report and certificate of compliance with its Debt Service Coverage Ratio covenant, of Walden Green Montessori filed with the Trustee within the preceding 92 days and hereafter, until the undersigned in writing terminates this request or none of the Bonds is any longer outstanding.

Address of the undersigned: _____

(c) The Trustee shall honor each written request that it receives, as described in subsection (b) above, in accordance with its terms.

(d) Nothing in this Section 10.01 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine any such report received from the Academy, or to provide a copy of any such report to anyone, who has not made a request therefor in the form, prescribed in subsection (b) above.

Section 10.02. Requests to the Academy.

(a) The Trustee agrees that for as long as the Agreement is in effect, if anyone who represents that it is a beneficial owner of a Series 2006 Bond by delivering to the Trustee a signed statement substantially to the effect of paragraph (1) in Section 10.01(b) above (a "Requesting Bondholder") requests the Trustee to request from the Academy, for and on behalf of such beneficial owner, access to information and the opportunity to ask questions and receive answers concerning the legal status, financial condition, student count and any other relevant matters which the Requesting Bondholder in its discretion determines is necessary regarding the Academy, the Trustee accordingly will make such request to the Academy. The Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Academy in response to such request.

(b) Nothing in this Section 10.02 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine anything received from the Academy, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder.

Section 10.03. Requests to Authorizing Body.

(a) The current authorizing body of the Academy is Central Michigan University Board of Trustees (which, or any subsequent authorizing body of the Academy, is below called the "Authorizing Body"). The Trustee agrees that for as long as the Agreement is in effect:

(i) if pursuant to Section 10.02 above the Trustee has, on behalf of a Requesting Bondholder, requested but been unable to receive such information from the Academy, then if the Requesting Bondholder further asks the Trustee to request such information from the Authorizing Body, the Trustee accordingly will make such request to the Authorizing Body; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Authorizing Body in response to such request; and

(ii) if a Requesting Bondholder asks the Trustee to request any of the below-listed information from the Authorizing Body, the Trustee accordingly will make such request to the Authorizing Body; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Authorizing Body in response to such request:

1. Quarterly or annual financial statements of the Academy;
2. The initiation of proceedings by the Authorizing Body, including the issuance of notice to show compliance, to revoke or suspend the Academy's charter;
3. Written notice received from the Academy regarding voluntary election to terminate its contract;
4. Enrollment data; and
5. Other monetary obligations of the Academy for which any of its state school aid payments are pledged.

(b) Nothing in this Section 10.03 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Authorizing Body in response to any written request it receives from a Requesting Bondholder, or to examine anything received from the Authorizing Body, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder.

[The remainder of this page is left blank intentionally.]

Trust Indenture
Signature Page

IN WITNESS WHEREOF, the Issuer has executed this Indenture by one of its authorized officers and the Trustee has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

**MICHIGAN PUBLIC EDUCATIONAL
FACILITIES AUTHORITY**

By: _____
Thomas J. Letavis

Its: _____
Executive Director

WELLS FARGO BANK, N.A., as Trustee

By: _____

Its: _____
Vice President

EXHIBIT A

FORM OF FIXED RATE SERIES 2006 BOND

R-__

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Issuer or its agent for registration of transfer, exchange, or payment, and any Bond is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA
STATE OF MICHIGAN

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION
REVENUE BOND
(WALDEN GREEN MONTESSORI PROJECT)
SERIES 2006

INTEREST RATE	MATURITY DATE	DATE OF ORIGINAL ISSUE	CUSIP
_____	_____, _____	_____, _____	_____

Registered Owner:

Principal Amount:

FOR VALUE RECEIVED, the Michigan Public Educational Facilities Authority (the “Issuer”) hereby promises to pay to the Registered Owner specified above, or registered assigns, upon surrender hereof, at the principal corporate trust or other designated office of the Trustee named below, on the Maturity Date specified above, unless redeemed prior thereto, the Principal Amount specified above, together with interest thereon at the interest rate specified above from the authentication date hereof or such later date to which interest has been paid, but only from

TRUST INDENTURE
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the sources and in the manner hereinafter provided on each April 1 and October 1 (each an “Interest Payment Date”) until the principal hereof is paid or duly provided for upon redemption or maturity. Payment of the principal of, premium, if any, and interest on this Bond shall be made in lawful money of the United States of America which at the time of payment is legal tender for payment of public and private debts. Unless other arrangements are made pursuant to Section 2.02 of the Indenture (hereinafter defined), interest is payable by check or draft of the Trustee mailed when due to the registered holder hereof at the close of business on the 15th day of the month immediately preceding any Interest Payment Date at the address of such holder as it appears on the Bond registration books of the Issuer maintained by the Trustee (the “Bond Register”).

Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve months of thirty days each.

This Bond is one of an authorized series of bonds of the Issuer designated “Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006”, and issued in the aggregate principal amount of \$_____ (the “Bonds”), for the purpose of acquiring an installment purchase financing obligation of Walden Green Montessori (the “Academy”) so as to enable the Academy to finance certain public school academy facilities (collectively, the “Project”).

The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Michigan, Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended, and pursuant to a resolution of the Issuer adopted on October 6, 2005 (the “Resolution”) and a Trust Indenture (the “Indenture”) dated as of May 1, 2006, between the Issuer and Wells Fargo Bank, N.A., as Trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture.

THIS BOND AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE STATE OF MICHIGAN OR THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MICHIGAN OR GENERAL FUNDS OR ASSETS OF THE ISSUER (INCLUDING FUNDS PERTAINING TO OTHER LOANS OR ACTIVITIES OF THE ISSUER), BUT SHALL BE A LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY THE “SECURITY,” ALL AS DEFINED AND PROVIDED AND SUBJECT TO LIMITATIONS SET FORTH IN THE RESOLUTION AND THE INDENTURE, WHICH RESOLUTION AND INDENTURE ARE HEREBY INCORPORATED HEREIN. THE BONDS AND INTEREST DUE THEREON ARE NOT A GENERAL OBLIGATION DEBT OR LIABILITY OF THE ISSUER AND DO NOT CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT ARE A LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY THE “SECURITY,” AS DEFINED IN THE INDENTURE, FOR

TRUST INDENTURE
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THE EQUAL AND RATABLE BENEFIT OF THE HOLDERS, FROM TIME TO TIME, OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

THE BONDHOLDER, BY THE ACCEPTANCE HEREOF, ASSENTS TO ALL PROVISIONS OF THE INDENTURE AND THE FINANCING AGREEMENT. THE ISSUER, AND ITS MEMBERS, OFFICERS, AND EMPLOYEES SHALL NOT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THIS BOND OR FOR ANY OTHER PECUNIARY LIABILITY IN ANY WAY RELATING THERETO, EXCEPT FROM THE SECURITY.

The Academy has executed and delivered to the Issuer, and the Issuer has assigned to the Trustee, the Academy's Installment Purchase Financing Agreement (the "Financing Agreement"), in the principal amount of the Bonds. Under the Financing Agreement, the Academy is obligated to repay the Loan by making payments at such times and in such amounts (the "Academy Repayments") as shall be required to pay the principal of, premium, if any, and interest on the Bonds, as the same become due (the "Debt Service"). In the Indenture, the Issuer has assigned to the Trustee, to provide for payment of Debt Service on the Bonds, the Issuer's right, title and interest in and to the Financing Agreement, except for the Issuer's Unassigned Rights, as defined in the Indenture. The Academy has caused additional security to be provided to the Trustee in the form of a mortgage and security interest in the Property.

The Security includes a security interest in the Financing Agreement (except for the Issuer's Unassigned Rights) and the Academy Repayments and in any other moneys held by the Trustee under the Indenture. The Debt Service on the Bonds is payable solely from the Security, and is an obligation of the Issuer only to the extent of the Security. The Bonds are not secured by a pledge of the faith and credit of the Issuer, the State of Michigan or any political subdivision thereof.

No recourse under or upon any obligation, covenant, acceptance or agreement contained in the Indenture, or in any of the Bonds, or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, shall be had against any employee or officer, as such, past present, or future, of the Issuer or any receiver thereof, or for or to any Holder of any Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon any of the Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member or officer, as such to respond by reason of any act or omission on his or her part, or otherwise, for directly or indirectly, the payment for or to the Issuer or any receiver thereof, or for or to the owner or any Holder of any bond, or otherwise, of any sum that may remain due and unpaid upon any bond, shall be deemed to be and is hereby expressly waived and released as a condition of and consideration for the execution and delivery of the Indenture and the issuance of the Bonds.

The Bonds are issuable as fully registered Bonds in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof (the "Authorized Denominations"). This Bond, upon surrender hereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the registered holder hereof or his

attorney duly authorized in writing, may, at the option of the registered holder hereof, be exchanged for an equal aggregate principal amount of Bonds of any other Authorized Denomination. This Bond is transferable as provided in the Indenture, subject to certain limitations therein contained, only upon the Bond Register and only upon surrender of this Bond for transfer to the Trustee duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the registered holder hereof or his attorney duly authorized in writing. Thereupon, one or more new Bonds of Authorized Denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees.

The Issuer has established a book-entry only system of registration for the Bonds. Except as specifically provided otherwise in the Indenture, a nominee of a securities depository will be the registered owner and will hold this Bond on behalf of the beneficial owners hereof. By acceptance of a confirmation of purchase, delivery or transfer, the beneficial owners of this Bond shall be deemed to have agreed to this arrangement. The nominee, as registered owner of this Bond, shall be treated as the owner hereof for all purposes.

REDEMPTION OF BONDS

The Bonds are not subject to redemption prior to maturity except as hereinafter provided.

Optional Redemption

Except as provided below the Series 2006 Bonds are not subject to redemption prior to their respective maturity dates. Series 2006 Bonds are subject to redemption at the option of the Authority, as directed in writing by the Academy, in whole or in part at any time on or after October 1, 2012 and if in part in multiples of \$5,000 at the redemption price plus accrued interest to the redemption date as set forth below; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) and in such order of maturity as the Academy shall direct, at the redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
October 1, 2012 to September 30, 2013	102%
October 1, 2013 to September 30, 2014	101.5
October 1, 2014 to September 30, 2015	101
October 1, 2015 to September 30, 2016	100.5
October 1, 2016 and thereafter	100

Mandatory Redemption of Term Bonds

The Series 2006 Bonds maturing on October 1, 2016, October 1, 2021, October 1, 2026 and April 1, 2036 are required to be redeemed at par plus accrued interest commencing on October 1, 2008, _____, respectively in the amount of the redemption requirements and on the dates set forth in the Indenture.

Mandatory Redemption Upon Determination of Taxability

The Bonds shall be subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability, at a redemption price equal to [100%] of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Redemption from Insurance and Condemnation Proceeds.

The Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

Partial Redemption

If less than all the outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bonds selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. Notwithstanding the foregoing, Bonds held for the account of the Academy or any affiliate of the Academy ("Academy Bonds") shall be first selected by the Trustee for redemption before any other Bonds are selected for redemption. If less than the principal amount of a Bond is called for redemption, the Issuer shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the owner thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such owner, Bonds in any of the Authorized Denominations.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Registered Owner of each Bond to be redeemed in whole or in part at its last address appearing on the Bond Register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond or a portion thereof with respect to

which no such failure or defect has occurred. In addition, the Trustee may give such other notice or notices as may be recommended in releases, letters, pronouncements or other writings of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice. All Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided funds for their redemption have been duly deposited with the Trustee pursuant to the Indenture and, thereafter, the holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed in any of the Authorized Denominations.

Certain Other Provisions

If provision is made for the payment of principal of, premium, if any, and interest on this Bond in accordance with the Indenture, this Bond shall no longer be deemed outstanding under the Indenture, shall cease to be entitled to the benefits of the Indenture, and shall thereafter be payable solely from the funds provided for payment.

Under certain circumstances as described in the Indenture, the principal of all the Bonds may be declared due and payable in the manner and with the effect provided in the Indenture. Immediately following any such declaration, the Trustee shall mail notice of such declaration by first class mail to each holder of Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations, if any, of the Issuer, the Academy and the holders of the Bonds at any time with the consent of the holders of a majority in aggregate principal amount of the Bonds at the time outstanding which are affected by such modifications. The Indenture also permits amendments and supplements to the Indenture and the Financing Agreement, without requiring the consent of any Bondholders in certain specifically described instances. The Indenture also contains provisions permitting holders of a majority in aggregate principal amount of the Bonds at the time outstanding, on behalf of all the holders of all Bonds, to waive compliance by the Issuer and the Academy with certain provisions of the Indenture and their consequences. Any such consent or waiver by the holder of this Bond shall be conclusive and binding upon such holder and on all future holders of this Bond and of any Bond issued in lieu hereof whether or not notation of such consent or waiver is made upon this Bond. Supplements and amendments to the Indenture or the Financing Agreement may be made only to the extent and in circumstances permitted by the Indenture.

The holder of this Bond shall have no right to enforce the provisions of the Indenture or the Financing Agreement, or to institute action to enforce the covenants therein, or to take any action with respect to a default under the Indenture or the Financing Agreement, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided under certain limited circumstances described in the Indenture; provided, however, that nothing contained in the Indenture shall affect or impair any right of enforcement conferred on the holder

hereof by the Enabling Legislation to enforce (i) the payment of the principal of and premium, if any, and interest on this Bond at and after the maturity thereof, or (ii) the obligation of the Issuer to pay the principal of and premium, if any, and interest on this Bond to the holder hereof at the time, place, from the source and in the manner as provided in the Indenture.

The holder of this Bond, by acceptance hereof, consents to all of the terms and provisions of the Indenture and the Financing Agreement.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that all acts, conditions and things required to exist, happen and be performed precedent to the execution and delivery of the Indenture and the issuance of this Bond and the issue of which it is a part, do exist, have happened and have been timely performed in regular form and manner as required by law, and the issuance of this Bond, together with all other obligations of the Issuer, does not exceed or violate any constitutional or statutory limitation of the Issuer.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature of one of its authorized signers, this Bond shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, the Michigan Public Educational Facilities Authority has executed this Bond by the manual or facsimile signature of its Executive Director as of the Date of Original Issue set forth above.

**MICHIGAN PUBLIC EDUCATIONAL
FACILITIES AUTHORITY**

By: _____
Its: _____

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Indenture.

WELLS FARGO BANK, N.A., as Trustee

By: _____
Its: _____

Authentication Date: _____

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns and transfers unto _____

(Name and Address of Assignee)

(Taxpayer I.D. No. _____)

the within Bond and does hereby irrevocably constitute and appoint _____, the within Bond and does hereby irrevocably constitute and appoint _____, attorney to transfer such Bond on the books kept for registration and transfer of the within Bond, with full power of substitution in the premises.

Dated: _____ [Signature]

NOTICE: The signature(s) to this Assignment must correspond with the name as it appears upon the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.17Ad-15) participating in a Securities Transfer Association recognized signature guarantee program.

TRUST INDENTURE
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EXHIBIT B

DESCRIPTION OF SERIES 2006 BONDS

[TO BE ADDED]

LAN01\155071.6
ID\ADF

TRUST INDENTURE
B-1

INSTALLMENT PURCHASE FINANCING AGREEMENT

Among

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY,

17339 ROOSEVELT ROAD, LLC,

WG EQUIPMENT VENDOR, LLC,

AND

WALDEN GREEN MONTESSORI

Dated as of May 1, 2006

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INSTALLMENT PURCHASE FINANCING AGREEMENT

This is an Installment Purchase Financing Agreement (hereinafter "Agreement") made and entered into as of May 1, 2006 among the **MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY** (the "Authority" or the "Issuer"), **17339 ROOSEVELT ROAD, LLC** (the "Facilities Vendor") and **WG EQUIPMENT VENDOR, LLC** (the "Equipment Vendor") (each a "Company" and collectively, the "Companies") and **WALDEN GREEN MONTESSORI** (the "Academy").

PREMISES

The Authority has been created by the Enabling Legislation for, among other purposes, the purpose of assisting governmental units, as defined in the Enabling Legislation, including public school academies established under the revised school code, by purchasing municipal obligations in fully marketable form issued by governmental units and by lending money to (a) governmental units including public school academies and (b) other nonprofit entities for the benefit of public school academies.

The School Code authorizes public school academies to acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or by other means, hold and own in its own name, buildings and other property for school purposes, and interests therein, and other real and personal property, including but not limited to, interests in property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes.

The School Code also authorizes public school academies to borrow money and issue bonds to defray all or a part of the cost of purchasing, erecting, completing, remodeling, or equipping, or reequipping, except for equipping or reequipping for technology, school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities, or parts of or additions to those facilities; furnishing or refurbishing new or remodeled school buildings; acquiring, preparing, developing, or improving sites, or parts of or additions to sites, for school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities; purchasing school buses; acquiring, installing, or equipping or reequipping school buildings for technology or accomplishing a combination of these purposes.

The School Code also authorizes public school academies to enter into agreements and take actions in connection with the operation and maintenance of a public school academy.

The Academy has determined that it has a need to acquire certain real property and real property improvements and refinance certain real property acquisition financing to provide a public school academy facility for the Academy in furtherance of its educational objectives.

The Companies pursuant to this Agreement will sell educational facilities and related equipment to the Academy.

The Authority pursuant to this Agreement will acquire the obligation of the Academy to make certain payments.

In consideration of these Premises and their mutual agreements, the Authority, the Companies and the Academy agree as follows:

ARTICLE I.
DEFINITIONS

Words and phrases capitalized herein and not defined below shall have the meanings ascribed to them in the Indenture and the Resolution adopted by the Authority on May 1, 2006 authorizing the Series 2006 Bonds. In addition, the following words and phrases as used throughout this Agreement shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

“Additional Payments” means all payments required by the Academy under this Agreement (including but not limited to Fee Payments) other than Installment Payments.

“Agreement” means this Installation Purchase Financing Agreement as the same may be amended or supplemented in accordance with its terms and the terms of the Indenture.

“Authorized Academy Representative” means the Board President of the Academy or any other officer of the Academy authorized to act in such capacity by a resolution adopted by the Board of the Academy.

“Authorizing Body” means Central Michigan University.

“Bond Documents” means this Agreement, the Indenture and the Bond Purchase Agreement.

“Bond Payment Date” means October 1, 2006 with respect to the Series 2006 Bonds and each October 1 and April 1 thereafter.

“Bond Purchase Agreement” means the Bond Purchase and Agreement dated May 18, 2006 among the Authority, the Academy and Fifth Third Securities, Inc.

“Bondholder” means the registered owner of any Series 2006 Bond.

“Charter” means the Academy’s Contract with its Authorizing Body, together with its Articles of Incorporation and Bylaws.

“Closing Date” means the date of the initial delivery of the Series 2006 Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations proposed and promulgated from time to time thereunder and under the predecessor code.

“Completion Certificate” means the certificate provided for in Section 704 hereof, in the form of Exhibit E hereto.

“Completion Date” means the date of the final completion of the Project as certified in the Completion Certificate.

“Construction Agreement” means the Purchase and Construction Agreement dated April 13, 2006, as amended and supplemented, between the Academy and the Facilities Vendor.

“Costs of Issuance” has the meaning given in Section 203(aa).

“Default” and “Event of Default” means those defaults and events of default, respectively, specified and defined in Section 1001.

“Enabling Legislation” shall mean Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended.

“Equipment” means that portion of the Project described in the Equipment Schedule(s) attached to Exhibit B.

“Equipment Agreement” means Equipment Purchase Agreement dated May __, 2006 between the Academy and the Equipment Vendor.

“Equipment Vendor” means WG Equipment Vendor, LLC.

“Equipment Vendor’s Address” means 41 Washington, Suite 260, Grand Haven, Michigan.

“Facilities Vendor” means 17339 Roosevelt Road, LLC.

“Facilities Vendor Address” means 2020 Raybrook Avenue, Suite 305, Grand Rapids, Michigan.

“Fee Payments” mean the fee payments required by Section 507 hereof.

“Indenture” means the Indenture between the Authority and Wells Fargo Bank, N.A., a national banking association, as trustee, dated as of May 1, 2006, as the same may be amended or supplemented in accordance with its terms.

“Installment Payments” means the amounts payable by the Academy allocable to the repayment of principal of, or interest or redemption under this Agreement which do not consist of Scheduled Fee Payments.

“Interest Component” means the portion of the Installment Payment to be intercepted and allocated for the payment of interest under this Agreement, as initially set forth on Exhibit A

“Interest Payment Date” means, with respect to the Series 2006 Bonds, each April 1 and October 1.

“Non-Arbitrage Certificate” means, collectively, the Non-Arbitrage and Tax Compliance Certificates delivered by the Authority and the Academy in connection with the initial delivery of the Series 2006 Bonds.

“Other Obligations” means obligations of the Academy incurred pursuant to and permitted by Section 807.

“Payment Date” has the meaning given in Section 505 hereof.

“Pledged State Aid” has the meaning given in Section 505 hereof.

“Principal Amount” means \$4,370,000 being the aggregate principal amount of the Series 2006 Bonds.

“Principal Component” means the portion of the Installment Payment to be intercepted and allocated to repayment of the principal amount of this obligation, as set forth on Exhibit A.

The term “principal,” when used with reference to the principal of the Series 2006 Bonds, means principal of the Series 2006 Bonds and, where appropriate, any premium in addition to principal due upon redemption of the Series 2006 Bonds.

“Project” means the acquisition of facility and Site improvements more fully described on Exhibit B hereto including the Equipment and related Project Costs.

“Project Costs” means with respect to the Site and the Project, (a) obligations of the Authority or the Academy incurred for labor and materials and to contractors, builders and materialmen in connection with the acquisition, construction and installation of the Site or the Project; (b) the cost of bonds and of insurance of all kinds that may be required or necessary during the course of construction of the Project which is not paid by the contractor or contractors or otherwise provided for and taxes and other municipal governmental charges levied or assessed during construction upon the Site or the Project; (c) all costs of architectural, environmental and engineering services, including the expenses of the Academy for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or consequent upon acquisition of the Site or the proper construction of the Project; (d) all other costs which the Academy shall be required to pay, under the terms of any contract or contracts, for the acquisition, construction, installation, reconstruction, restoration, renovating, equipping and furnishing of the Project; (e) Costs of Issuance (including original issue discount of \$244,314.00 and underwriter’s discount of \$174,800.00) \$542,964.00; (f) other costs of a nature comparable to those described in clauses (a) through (e) above which the Academy shall be required to pay

as a result of the damage, destruction, condemnation or taking of the Site or the Project or any portion thereof; (g) interest on the Series 2006 Bonds or any interim obligation during the period of construction of the Project; (h) proceeds of the Series 2006 Bonds used to fund a debt service reserve fund, or (i) any other costs incurred by the Academy which are properly chargeable to the Site or the Project and which may be financed by the Series 2006 Bonds under the Enabling Legislation. Project Costs do not include:

- (a) Upgrades to operating system or application software;
- (b) Media, including diskettes, compact discs, video tapes, and disks, unless used for storage of initial operating system software or customized application software included in the definition of technology under MCL 380.1351a(5); or
- (c) Training, consulting, maintenance, service contracts, software upgrades, troubleshooting, or software support.

“Purchase Price” has the meaning given in Section 401 hereof. The Purchase Price for the Equipment components of the Project are set forth on the Equipment Schedules attached to Exhibit B.

“Scheduled Fee Payments” or “Scheduled Fee Payment Component” means the scheduled fee payments of the Authority fee and the Trustee fee relating to the Series 2006 Bonds set forth on Exhibit A, to be intercepted and allocated to payment of Fee Payments.

“Scheduled Installment Payment” means the scheduled amounts payable by the Academy as set forth on Exhibit A, which consist of a Principal Component, an Interest Component, a Set-Aside Component, and a Scheduled Fee Payment Component.

“Series 2006 Bonds” means \$4,370,000 Michigan Public Educational Facilities Authority Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006.

“Set-Aside Component” means the portion of the Scheduled Installment Payment to be intercepted and allocated for the payment of principal of and/or interest on the Series 2006 Bonds in the calendar month(s) in which no Payment Date for State School Aid exists, as set forth on Exhibit A.

“Site” means the real property described in Exhibit B hereto, including related Project Costs.

“Unassigned Rights” means the right of the Issuer to make all determinations and approvals and receive all notices accorded to it under this Agreement and to enforce in its name and for its own benefit the provisions of Sections 509, 602 and 1003 of this Agreement with respect to the Issuer fees and expenses, and indemnity payments as the interests of the Issuer and related persons shall appear.

“Underwriter” means Fifth Third Securities, Inc.

ARTICLE II.

REPRESENTATIONS

Section 201. Representations by the Companies. Each Company makes the following representations and warranties:

(a) The Company is a limited liability company which is duly organized, existing and in good standing under the laws of the State of Michigan, is qualified to conduct its business in the State of Michigan, has the requisite power and authority to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under this Agreement, and by proper action this Agreement has been duly authorized, executed and delivered by, and assuming due authorization by the other parties thereto, if any, is the valid and binding obligation of the Company.

(b) No director or officer of the Authority has any interest of any kind in the Company which would result, as a result of the issuance of the Series 2006 Bonds, in a substantial financial benefit to such persons other than as a member of the general public.

Section 202. Representations of the Authority. The Authority makes the following representations:

(a) The Authority is a body corporate and politic established and acting pursuant to the Enabling Legislation with full authority under the Enabling Legislation to issue the Series 2006 Bonds and execute and enter into the Agreement, the Indenture and the Bond Purchase Agreement.

(b) All of the proceedings approving the Agreement, the Indenture, and the Bond Purchase Agreement were conducted by the Authority at meetings which complied with Act 267, Michigan Public Acts, 1976, as amended.

(c) No member of the Authority is directly or indirectly a party to or in any manner whatsoever interested in the Agreement, Indenture, Series 2006 Bonds or the proceedings related thereto.

Section 203. Representations of the Academy.

(a) The Academy is a public school academy established in accordance with the provisions of the Revised School Code (the "School Code") and has, and on the Closing Date, will have, full legal right, power and authority (i) to enter into the Bond Purchase Agreement and this Agreement, and (ii) to sell, pledge and assign to the Authority the state aid payments to be allocated and paid to the Academy as provided herein and the Academy has duly authorized and approved the execution and delivery of and the performance by the Academy of its obligations contained in the Bond Purchase Agreement and this Agreement; and the Bond Purchase Agreement and this Agreement have been duly authorized, executed and delivered by,

and assuming due authorization by the other parties thereto, if any, are valid and binding obligations of the Academy.

(b) Neither the authorization, execution or delivery of this Agreement and the Bond Purchase Agreement, the consummation of the transactions contemplated by this Agreement, the Bond Purchase Agreement and the Indenture, nor the fulfillment of or compliance with the terms and conditions of this Agreement and the Bond Purchase Agreement will require any consent or approval of the governing board of the Academy or its Authorizing Body which has not been obtained, or violate any provision of law, any order of any court or other agency of government, the Charter, or any indenture, agreement or other instrument to which the Academy is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under its Charter or any such indenture, agreement or other instrument, or, except as provided hereunder, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Academy.

(c) No litigation or governmental proceeding is pending or, to the knowledge of the officers of the Academy, threatened against the Academy which could have a material adverse effect on its financial condition or business, its power to make payments under this Agreement or the authority or incumbency of its officers or directors.

(d) The Academy intends to cause the Site and the Project to be operated at all times during the term of this Agreement as a "public school academy" as that term is defined in the Revised School Code. All property which is to be financed or refinanced with the net proceeds of the Series 2006 Bonds will be owned by the Academy.

(e) Moneys which will be made available from the Authority under this Agreement and other sources will be sufficient to pay for the Site and the Project.

(f) The Academy reasonably believes that the revenues and income generally available or to become available to the Academy and payable to the Authority under this Agreement will be sufficient for allocation to and payment of the Series 2006 Bonds and interest thereon when due.

(g) The public school facility being acquired pursuant to and this Agreement is needed by the Academy and does not result in an unnecessary duplication of existing facilities and has been well planned.

(h) Except for preliminary expenditures for architectural, engineering, surveying, soil testing, and similar costs (not including costs of land acquisition, site preparation, and similar costs incident to commencement of construction) that were incurred prior to commencement of acquisition, construction, renovation or rehabilitation of the facilities comprising the Site and the Project, and did not exceed in the aggregate 20 percent of the issue price of the Series 2006 Bonds, and except for costs of issuance and other costs not in excess of the lesser of \$100,000 or 5 percent of the proceeds of the Series 2006 Bonds, no proceeds of the 2006 Bonds were or will be allocated to the reimbursement of an expenditure for costs of the Project paid more than 60 days prior to May 31, 2006.

(i) Proceeds of the Series 2006 Bonds will not exceed the cost of the Site and the Project and incidental costs related thereto and to the issuance of the Series 2006 Bonds.

(j) The Academy is not in default in any material respect under any order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease or instrument. The Academy is not in default under any law, rule or regulation wherein such default could materially adversely affect the Academy or the ability of the Academy to perform its obligations under this Agreement or the Bond Purchase Agreement.

(k) No more than 10 percent of the proceeds of the Series 2006 Bonds will be used directly or indirectly in a trade or business carried on by any person other than a governmental unit (a "private business use"). No more than 5 percent of the proceeds of the Series 2006 Bonds will be used for any private business use that is not related to governmental purposes of the Authority or the Academy or that, although related to governmental purposes of the Authority or the Academy, exceeds the amount of Series 2006 Bond proceeds used for governmental purposes of the Authority or the Academy other than a related private business use. No more than 5 percent of the proceeds of the Series 2006 Bonds will be used directly or indirectly to make or finance loans to persons other than governmental units or loans for purposes other than enabling a borrower to finance any governmental tax or assessment of general application for a specific essential governmental function such as the Project.

(l) The weighted average maturity of the Series 2006 Bonds is not greater than 120% of the average reasonably expected economic life of the facilities being financed or refinanced by the Series 2006 Bonds, as determined pursuant to Section 147(b) of the Code.

(m) There are no contracts or other arrangements providing for private business use or ownership of any property to be financed by proceeds of the Series 2006 Bonds, and the Academy covenants not to enter into any such contracts or arrangements during the term of this Agreement, including any contracts or arrangements for the provision of medical services, food services, management services, or any other types of services, except contracts and arrangements which satisfy the requirements of Rev. Proc. 97-13 or other applicable regulations under the Code.

(n) The Academy will comply with the provisions of Section 148 of the Code. The Academy covenants, for the benefit of itself, the Authority and the owners from time to time of the Series 2006 Bonds, that it will not cause or permit any proceeds of the Series 2006 Bonds to be invested in a manner contrary to the provisions of Section 148 of the Code, and that it will assume compliance with such provisions on behalf of the Authority (including, without limitation, performing required calculations, the keeping of proper records and the timely payment to the Department of the Treasury of the United States, in the name of the Authority, of all amounts required to be so paid by Section 148 of the Code), and the Academy shall carry out all of the requirements to calculate and make rebate payments to the United States and preserve records thereof.

(o) Except as permitted by Code Section 149(b), the Series 2006 Bonds are not federally guaranteed. For this purpose, a bond is federally guaranteed if (i) the payment of principal or interest is guaranteed (in whole or in part) by the United States or any agency or

instrumentality thereof), (ii) 5% or more of the issue is to be (x) used in making loans the principal or interest with respect to which is to be guaranteed (in whole or in part) by the United States (or an agency of instrumentality thereof) or (y) invested directly or indirectly in federally insured deposits or accounts, or (iii) the payment of principal or interest on such bond is otherwise indirectly guaranteed (in whole or in part) by the United States (or an agency or instrumentality thereof).

(p) There are no other obligations of the Academy that were sold or are to be sold within 15 days of the sale of the Series 2006 Bonds that (i) were or are to be sold pursuant to the same plan of financing with the Series 2006 Bonds and (ii) are reasonably expected to be paid from substantially the same source of funds as the Series 2006 Bonds, determined without regard to guaranties from unrelated parties.

(q) The Academy shall not enter into any contracts or other arrangements which do not comply with (k) and (m) above.

(r) The Academy will not pay or enter into a transaction that reduces the arbitrage rebate to be paid to the United States because the transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Series 2006 Bonds not been relevant to either party.

(s) The Project will be acquired not later than January 1, 2007.

(t) The Project has been or will be constructed and equipped in such manner as to conform with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction of the Project.

(u) To the best of the knowledge of the Academy, no authorizations, consents or approvals of governmental bodies or agencies are required in connection with the execution and delivery by the Academy of this Agreement or the Bond Purchase Agreement, or in connection with the carrying out by the Academy of its obligations under this Agreement or the Bond Purchase Agreement, which have not been obtained or, if not obtained on the date of this Agreement, are expected to be obtained in the normal course of business at or prior to the time such authorizations, consents or approvals are required to be obtained.

(v) There are no actions or proceedings pending or, to the knowledge of the Academy, threatened before any court or administrative agency which will, in the reasonable judgment of the Academy, materially adversely affect the ability of the Academy to meet its obligations under this Agreement or the Bond Purchase Agreement.

(w) No director or officer of the Authority has any interest of any kind in the Academy which would result, as a result of the issuance of the Series 2006 Bonds, in a substantial financial benefit to such persons other than as a member of the general public.

(x) The information furnished by the Academy and used by the Authority in preparing its Non-Arbitrage Certificate pursuant to the Code and the information statement pursuant to Section 149(e) of the Code (Form 8038-G) is true, accurate and complete as of the date of the issuance of the Series 2006 Bonds.

(y) The Academy has complied and intends to comply with its obligations, covenants and representations under the Bond Documents, to the extent such obligations affect the tax-exempt status of the Series 2006 Bonds.

(z) None of the proceeds of the Series 2006 Bonds will be used to finance the purchase, construction, lease, or renovation of property owned, directly or indirectly, by any officer, board member, or employee of the Academy.

(aa) The Academy shall promptly pay the Costs of Issuance upon notification by the Authority. The term “Costs of Issuance” shall mean and include underwriter’s discount, underwriting fees, printing charges, letter of credit fees and related charges of a letter of credit, rating agency charges, trustee fees, bond counsel fees, academy counsel fees, and other counsel fees and issuance fees of the Authority.

(bb) The Academy will utilize the Site and the Project for public school purposes so long as Series 2006 Bonds remain outstanding under the Indenture and will use its best efforts to operate the school in an efficient manner. The Academy will maintain its Charter in good standing. The Academy will not own, operate or utilize other public school facilities which may reduce the utilization or student population of the school facilities being acquired, renovated and restored pursuant to this Agreement.

ARTICLE III.

THE SERIES 2006 BONDS AND THE PROCEEDS THEREOF

Section 301. Series 2006 Bonds. The Authority has authorized the issuance and sale of the Series 2006 Bonds in the Principal Amount. The Authority intends to deliver Series 2006 Bonds subject to the terms of the Bond Purchase Agreement. The proceeds of the Series 2006 Bonds shall be deposited in the Project Fund. The obligations of the Authority, the Company and the Academy under this Agreement are expressly conditioned upon delivery of the Series 2006 Bonds and receipt of the proceeds thereof.

Section 302. Additional Bonds. The Authority may, but shall not be required to, authorize the issuance of the additional bonds upon the terms and conditions provided in the Indenture. Failure by the Authority to issue additional bonds shall not release the Company, or the Academy from any provisions of this Agreement, regardless of the reason for such failure.

Section 303. Investment of Funds and Accounts. Any moneys held as a part of any Fund or Account shall be invested, reinvested or applied by the Trustee in accordance with the provisions of the Indenture. Any moneys held in the Project Fund or Bond Fund shall, pending disbursement and upon written request of the Academy or oral or facsimile request of the Academy later confirmed in writing, be invested only in Eligible Investments in accordance with the provisions of Section 4.06 of the Indenture, all at such maturities, rates of interest and other specifications as the Academy may indicate in its request to the Trustee. The investments shall mature not later than the respective dates estimated by the Academy when the moneys in such

Funds shall be needed for the purposes provided in this Agreement and the Indenture, but should the cash balance in a Fund be insufficient for such purpose, the Trustee is authorized to sell the necessary portion of such investments to meet that purpose. Recognizing that such investments shall be made at the written direction of the Academy, the Issuer agrees to cooperate with the Academy, and the Academy covenants that it will restrict the use of the proceeds of the Bonds (and any other funds or moneys which may be deemed to be proceeds of the Bonds pursuant to Section 148(a) of the Code), in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Bonds are issued, so that the Bonds will not constitute “arbitrage bonds” under Section 148(a) of the Code.

The Academy shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Series 2006 Bonds pursuant to the Code in such a manner as to cause the Series 2006 Bonds to be “arbitrage bonds” within the meaning of the Code.

Section 304. Rebate Payments to United States. The Academy for itself and for the Authority agrees that it shall calculate and make all necessary payments of investment earnings required to be rebated to the United States pursuant to the terms of the Indenture and the Non-Arbitrage Certificate. The Academy hereby further agrees that it shall comply with the procedures outlined in the Academy’s Non-Arbitrage and Tax Compliance Certificate and shall furnish to the Trustee and the Authority within fifteen (15) days following each Computation Date (as defined in the Academy’s Non-Arbitrage and Tax Compliance Certificate) the computations required thereby. The Trustee has no duty to confirm the accuracy of the computations made by the Academy and may assume that the computations are correct. The Academy shall provide to the Trustee and the Authority evidence of each payment of rebate, if any, within 30 days of each such payment.

ARTICLE IV.

SALE, PURCHASE AND CONSTRUCTION OF PROJECT, ASSIGNMENT OF PAYMENTS

Section 401. Sale and Purchase. In consideration of the payment of the Purchase Price pursuant to the terms of this Agreement, (i) the Equipment Vendor agrees to sell the Equipment to the Academy for the Purchase Price allocated to the Equipment as described in the Equipment Schedule(s) attached to Exhibit B, and (ii) the Facilities Vendor agrees to sell the Project, other than the Equipment, to the Academy for the Purchase Price less the amount allocated to the Equipment as described in the Equipment Schedules attached to Exhibit B. The Project (other than the Equipment) shall be constructed in accordance with the terms of the Construction Agreement.

The Academy hereby agrees to purchase the Project and to pay monthly installments in amounts not less than the Installment Payments set forth on Exhibit A hereto (the “Installment Payments”) on the Payment Dates required by Section 505 below, and to make the Additional Payments as described herein. The parties hereto acknowledge that the purchase price (the

“Purchase Price”) for the Project is \$4,370,000 consisting of \$0.00 to be paid to the Facilities Vendor at Closing, \$0.00 to be paid to the Equipment Vendor at closing, \$79,458.34 to be deposited in the Bond Fund and used for capitalized interest on the Series 2006 Bonds, \$313,578.13 to be deposited into the Reserve Fund and used for a debt service reserve for the Series 2006 Bonds and any Additional Bonds, \$3,557,849.53 to be deposited to the Project Fund and paid in accordance with Section 403 hereof. \$244,314.00 original issue discount deemed to have been deposited in the Project Fund and paid as a cost of issuance and \$174,800.00 underwriter’s discount deemed to have been deposited in the Project Fund and paid as a cost of issuance. The Authority, as assignee of the Company, agrees to pay to the Academy by depositing the same into the Project Fund from which the Trustee shall make disbursements and in accordance with the Indenture.

Section 402. Assignment to Authority. The Companies each immediately and irrevocably assigns to the Authority the Installment Payments and the Additional Payments. The Academy and the Companies each represent and warrant that the assignment contained in this Section 402 to the Authority does not violate the Academy’s Charter, the Company’s Articles of Incorporation or Bylaws or any law or any agreement, contract, or loan agreement to which it is a party and that this Agreement has been duly authorized, executed and delivered by the Academy and the Company.

Section 403. Disbursements from the Project Fund. In consideration of the Companies’ assignment pursuant to Section 402, the Authority has directed the Trustee to disburse from the Project Fund established under the Indenture to the Companies, upon requisition by the Academy, in accordance with Section 701 of this Agreement and the other amounts on deposit therein as provided in this Agreement.

Section 404. License to Construct. To the extent required, the Academy hereby grants the Facilities Vendor a license to construct and install the Project in accordance with the terms of the Construction Agreement.

Section 405. Title to the Project. Title to each installment of the Project shall pass to the Academy following its construction and installation and upon disbursement of moneys from the Project Fund with respect to any such installment (including any Equipment installment). Bills of sale shall be provided to the Academy with respect to applicable Equipment installments.

ARTICLE V.

INSTALLMENT PAYMENTS

Section 501. Installment Payments. The Academy hereby agrees that it will not sell, assign title to, lease, or obtain further financing with respect to the Project or the Site except as permitted by the Indenture or with the written permission of the Trustee while Installment Payments or Additional Payments remain outstanding under this Agreement. The Companies and the Academy agree that the Authority may pledge this Agreement as security for its obligations to pay Series 2006 Bonds issued under the Indenture.

If on a Bond Payment Date the Academy’s payment of its obligations hereunder have been deficient or if for any other reason the balance in the Bond Fund is insufficient to pay principal and interest on the Series 2006 Bonds then due, whether by maturity, redemption, or acceleration, the Academy shall forthwith pay the amount of any such deficiency to the Trustee.

Section 502. Obligations Unconditional. The Companies immediately and irrevocably assigns to the Authority the Installment Payments and Additional Payments, pursuant to this Agreement and in consideration thereof the Authority has directed the Trustee to disburse from the Project Fund established under the Indenture the amounts on deposit therein as provided in this Agreement. The Academy’s obligation to the Authority is an absolute and unconditional general obligation of the Academy and shall remain in full force and effect until the amounts owed hereunder shall have been paid by the Academy to the Authority, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following:

(a) Any failure of title with respect to the Academy’s or the Companies interest in the Site or the Project or the invalidity, unenforceability or termination of this Agreement;

(b) The modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in this Agreement;

(c) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Academy, the Companies or any of its or their assets or any allocation or contest of the validity of this Agreement, or the disaffirmance of this Agreement in any such proceedings;

(d) To the extent permitted by law, any event or action which would, in the absence of this clause, result in release or discharge by operation of law of the Academy, or the Companies from the performance or observation of any obligation, covenant or agreement contained in this Agreement;

(e) The default or failure of the Academy or the Companies fully to perform any of its obligations set forth in this Agreement or any other agreement;

(f) Any casualty or destruction of the Site or the Project.

The Authority shall have no liability for the performance of any obligations to the Academy or the Companies except as expressly set forth in this Agreement.

Section 503. Payment Provisions. The Academy agrees to pay to the Authority the Installment Payments and the Additional Payments hereunder, which are initially scheduled to be payable as set forth in Exhibit A hereto on the Payment Dates set forth in Section 505 below, and may be adjusted as set forth in Section 505 below.

Installment Payments may only be prepaid by the Academy with the prior written approval of the Authority. The Authority may require the Academy to pay a prepayment premium as a condition of prepayment.

In the event of a default in the payment of the Installment Payments or Additional Payments when due, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two percent above the Authority's cost of providing funds (as determined by the Authority) to make payment on the Series 2006 Bonds of the Authority but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Authority has been fully reimbursed for all costs incurred by the Authority (as determined by the Authority) as a consequence of the Academy's default. Such additional interest shall be payable on the Payment Date following demand of the Authority.

It is expressly agreed between the Companies and the Academy, and the Authority by acceptance of the assignment made by this Agreement, that the Academy shall make all payments due hereunder at the designated trust office of the Trustee. The Academy further agrees that it will deposit with the Trustee all payments due hereunder in immediately available funds. The Academy covenants and agrees that its obligations to make payments hereunder are obligations incurred with the Authority under the State School Aid Act, 1979 PA 94, as amended ("School Aid Act") and may be enforced by the Authority and the Trustee on behalf of the Authority.

Section 504. Payment General Obligation. The obligation of the Academy to pay Installment Payments, Additional Payments and all other payments hereunder is a general obligation of the Academy. The Academy shall and hereby agrees to include in its budget and pay each year, until this Agreement is paid in full, such sum or sums as may be necessary each year to make payments of the Installment Payments, Additional Payments and all other payments hereunder and additional interest payments, when due. The obligations of the Academy hereunder may also be deemed to be obligations of the Academy incurred in accordance with Section 504a(g) and Section 1351a of the Revised School Code of 1976, as amended.

Section 505. State School Aid Pledge. The Academy pledges to pay its Installment Payments and Additional Payments and all other amounts required hereby or hereunder from its State School Aid to be allocated to it and payable to its Authorizing Body (the "Pledged State Aid"). Unless otherwise agreed to in writing by the Authority, an amount of each installment of State School Aid (such monies to be used to pay the Installment Payments and Additional Payments when due) as set forth on Exhibit A, which amount is approximately equal to 1/11 of the annual principal payments scheduled on the Series 2006 Bonds plus 1/11 of the annual interest obligation (the Interest Component and the Set-Aside Component relating to interest) plus 1/11 of the annual fees (the Scheduled Fee Payments) shall, pursuant to the agreement of the Authorizing Body, be transmitted directly by the State Treasurer to the Trustee commencing on or before June 20, 2006 and thereafter on or before the 20th of each December, January, February, March, April, May, June, July, August, October and November (each a "Payment Date"); provided however that if (i) applicable law changes to provide for a schedule of school aid payments materially different from that now in effect, or (ii) the Academy, with the prior written consent of the Authority and all of the holders of the Series 2006 Bonds, and receipt of a

Favorable Opinion of Bond Counsel as to the adjusted schedule of optional redemption of the Bonds, may agree to a different schedule of optional redemption of the Bonds, the Authority, by written notice to the Trustee, the State Treasurer, the Academy and the Authorizing Body may designate different payment dates or amounts to provide for timely receipt of Installment Payments and Additional Payments consistent with such changes which shall thereupon be and become the "Payment Dates" hereunder. If the Payment Date falls on a Saturday, Sunday, or legal holiday, the Installment Payment shall be due on the next previous business day. The Installment Payments and Additional Payments, if any, to the Authority shall be made first from the State School Aid allocated to the Academy during the month of the payment. If, for any reason, the State School Aid allocated to the Academy during the month of the payment is insufficient to pay the Installment Payment and Additional Payment, if any, then in that event the Academy pledges to use any and all other available funds to meet the Installment Payment obligation and Additional Payment obligation, if any. If on any due date for any Installment Payment or Additional Payment the funds with the Trustee are insufficient to pay the Installment Payment and Additional Payment, if any, then the Academy, pursuant to Section 17a(3) of the School Aid Act to the extent necessary to meet the payment obligation assigns to the Authority and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the School Aid Act; and in such event pursuant to Section 17a(3) of the School Aid Act, the Authority is authorized, pursuant to the agreement of the Authorizing Body, to intercept and/or seek an advancement of 97% of the Pledged State Aid to be allocated or distributed to the Authorizing Body with respect to the Academy. The Trustee, on behalf of the Authority, shall immediately notify (or cause notice to be given to) the Academy and the Authorizing Body that it will immediately commence to intercept and/or receive an advancement of the Pledged State Aid and beginning immediately the Authority shall intercept 97% of the Pledged State Aid to be distributed to the Authorizing Body with respect to the Academy. Notwithstanding the foregoing, however, the amount to be applied by the Trustee to Installment Payments hereunder in any fiscal year of the State shall not exceed 20% of the amount of School Aid payable to the Academy by the State in such fiscal year.

The intercepted and/or advanced amount shall be applied on the following priority basis: (i) the amount required to pay the Installment Payment and Additional Payment, if any, when due shall be held by the Trustee for such purpose, (ii) any other amounts owing to the Authority under this Agreement, (iii) an amount equal to the Scheduled Fee Payments and an amount equal to 1/11, shall be paid to the Trustee as provided under the Indenture and (iv) to the extent in excess of the amount required to make payment in full of the Installment Payment and Additional Payment, if any, then due, any amounts remaining to be immediately distributed to or at the direction of the Academy. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all Installment Payments and Additional Payments. Section 17a(3) of the School Aid Act does not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district and shall not be construed as creating an indebtedness of the State.

The pledge of State School Aid pursuant to this section is subject to the reservation by the Academy of the right to make additional pledges of State School Aid to secure other obligations as provided in Section 807 hereof and provided that the amount of State School Aid received by the Academy in the fiscal year of the State preceding the incurrence of such additional

obligations equals or exceeds the amount required in each year to pay the sum of an amount equal to the Installment Payments and Additional Payments due and the principal and interest and other payments due under such additional obligations for which State School Aid has been pledged.

Section 506. Mandatory and Optional Prepayments. Subject to the Authority's right to optionally redeem Series 2006 Bonds, the Academy may prepay its obligations hereunder in whole or in part in Authorized Denominations. The Academy may direct the redemption of the corresponding amount of Bonds then outstanding on such dates and pursuant to the provisions and limitations, and upon payment of any required premium, set forth in Section 2.11(a) of the Indenture.

The Academy shall prepay its obligations hereunder at such times in order to enable the Trustee to redeem all or a portion of the Bonds as required in Section 2.11(b) of the Indenture.

If the Academy repays or prepays Installment Payments and other amounts owing to the Trustee under this Agreement and the Indenture in such a manner so as to permit the Security to be released from the lien of the Indenture in accordance with Article VI of the Indenture, then the loan shall be deemed fully repaid, and this Agreement shall be canceled on the date on which the Security is so released. To confirm such cancellation, the Academy may require the Trustee to execute any further reasonable evidence of cancellation on the date the Security is so released.

In the event of any optional prepayment on or before the date set for redemption of the Bonds to be redeemed in connection therewith, the Academy shall deposit with the Trustee, an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and the Academy shall deposit with the Trustee sufficient moneys to pay all fees, costs, and expenses of the Issuer and the Trustee specified in Sections 507, 601, 602, 603, 604 and 1003 hereof accruing through the date set for redemption of the Bonds.

Section 507. Fee Payments. To the extent they are not paid out of the Project Fund to the Authority, the Academy shall pay to the Authority within ten (10) days of demand therefor: (a) all Costs of Issuance and other out-of-pocket costs and expenses of the Authority incidental to the performance of its obligations under this Agreement, the Indenture and the Bond Purchase Agreement, and (b) the out-of-pocket expenses of the Authority incurred by the Authority in enforcing the provisions of this Agreement or the Indenture.

In addition to the aforesaid payments to the Issuer, (a) a one time issuance fee of one half of one percent (1/2 of 1%) of the principal amount of the Series 2006 Bonds prior to or contemporaneously with execution of this Agreement, and (b) on or before October 1 in each year an amount sufficient to assure payment in full of the Academy's allocable share (as determined by the Authority) of the annual general operating expenses of the Authority, but such allocable share shall not exceed one eighth of one percent (1/8 of 1%) of the average principal amount of the Series 2006 Bonds outstanding under the Indenture during the preceding calendar year.

Section 508. Security Interest in the Project Fund. To better secure its obligations hereunder, including the obligation to pay Installment Payments and Additional Payments, as and when they are due, the Academy hereby grants a security interest in the moneys at any time held in the Project Fund, and any proceeds thereof, to the Issuer to be perfected by possession of such moneys in the Project Fund by the Trustee and held therein for the benefit of the Bondholders as provided in the Indenture.

Section 509. Continuing Obligation. The obligations of the Academy under this Agreement shall continue in force until payment in full of the Installment Payments, Additional Payments, and all other payments required to be paid by the Academy by this Agreement.

Section 510. Assignment by Authority. The Academy and the Companies hereby each consent to any assignments now or hereafter made by the Authority of the Authority's rights under this Agreement (except the Unassigned Rights) and acknowledge that no further action or consent by the Academy or the Company is necessary to effectuate such an assignment.

Section 511. Authorized Academy Representative. The Academy hereby authorizes and directs the Authorized Academy Representative to act in the capacity of Authorized Academy Representative under the Indenture and hereunder.

Section 512. Obligations of the Academy Unconditional. The obligation of the Academy to pay the Installment Payments and Additional Payments and all other amounts required by this Agreement to be paid by the Academy shall be an absolute and unconditional general obligation of the Academy and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. Until the Series 2006 Bonds have been fully paid (or provision made therefor) in accordance with the Indenture, the Academy (i) shall not suspend or discontinue any Installment Payments or Additional Payments, (ii) shall perform and observe all of its other obligations contained in this Agreement and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, defect in title to the Site or the Project, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, destruction of, damage to or condemnation of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Michigan or any political subdivision of either, or any failure of the Authority to perform and observe any of its obligations arising out of or connected with the Agreement. It is the intent and expectation of the parties hereto that the Installment Payments will be sufficient for the payment in full of the Series 2006 Bonds, including (i) the total interest to become due and payable on the Series 2006 Bonds to the dates of payment thereof, (ii) the total principal amount of the Series 2006 Bonds, (iii) the redemption premiums, if any, that shall be payable on the redemption of the Series 2006 Bonds prior to their stated payments dates, and (iv) all additional interest, additional principal and any other amounts payable to the Bondholder as and when required by the Series 2006 Bonds or this Agreement. In the event, however, of any deficiency in the payment of such amounts regardless of the reason for such deficiency, the Academy agrees that upon notice of the deficiency from the Bondholder or the Authority it shall then immediately pay the amount of the deficiency to the Bondholder on behalf of the Authority. The obligations of the Academy under this paragraph shall survive the termination of this Agreement.

ARTICLE VI.

OTHER OBLIGATIONS OF THE ACADEMY

Section 601. Costs of Issuance. The Academy covenants and agrees to promptly pay the Costs of Issuance upon notification by the Authority.

Section 602. Indemnification of the Authority. (a) The Authority and its members, officers, agents and employees (the "Indemnified Persons") shall not be liable to the Company or the Academy for any reason. The Academy shall, to the extent permitted by law, indemnify and hold the Authority and the Indemnified Persons harmless from any loss, expense (including reasonable counsel fees) or liability of any nature due to any and all suits, actions, legal or administrative proceedings, or claims arising or resulting from, or in any way connected with (i) the financing, construction, operation, use or maintenance of the Site or Project, (ii) any act, failure to act or misrepresentation by any person, firm, corporation or governmental agency, including the Authority, in connection with the issuance, sale, delivery or remarketing of any of the Series 2006 Bonds, (iii) any act or failure to act by the Authority in connection with this Agreement or any other document involving the Authority in this matter, and (iv) the selection and appointment of firms or individuals providing services related to the Bond transactions. If any suit, action or proceeding is brought against the Authority or any Indemnified Person, that suit, action or proceeding shall be defended by counsel to the Authority or the Academy, as the Authority shall determine. If the defense is by counsel to the Authority, which is the Attorney General of Michigan or may, in some instances, be private, retained counsel, the Academy shall indemnify the Authority and Indemnified Persons for the reasonable costs of that defense, including reasonable counsel fees. If the Authority determines that the Academy shall defend the Authority or Indemnified Persons, the Academy shall immediately assume that defense at its own cost. The Academy shall not be liable for any settlement of any proceedings made without its consent (which consent shall not be unreasonably withheld).

(b) The Academy shall not be required to indemnify the Authority or any Indemnified Person under subsection (a), if a court with competent jurisdiction finds that the liability in question was caused by the willful misconduct or sole gross negligence of the Authority or the involved Indemnified Person, unless the court determines that, despite the adjudication of liability but in view of all circumstances of the case, the Authority or the Indemnified Person(s) is (are) fairly and reasonably entitled to indemnity for the expenses which the court considers proper.

(c) The Academy shall, to the extent permitted by law, also indemnify the Authority for all reasonable costs and expenses, including reasonable counsel fees, incurred in (i) enforcing any obligation of the Academy under this Agreement or any related agreement, (ii) taking any action requested by the Academy, (iii) taking any action required by this Agreement or any related agreement, or (iv) taking any action considered necessary by the Authority which is authorized by this Agreement or any related agreement.

(d) The obligations of the Academy under this section shall survive any assignment or termination of this Agreement.

Section 603. Indemnification of the Trustee. The Academy shall, to the extent permitted by law, indemnify and hold the Trustee harmless against any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the Indenture, including the costs and expense of defense against any such claim of liability. In the event of the occurrence of any claim indemnified against under this paragraph, the Trustee shall promptly notify the Academy of the existence of the claim and shall give the Academy such assistance and cooperation in the defense thereof as may be reasonably requested. The Academy shall defend any such claim through legal counsel of its choice, and the Academy shall have exclusive authority to defend, settle or otherwise dispose of such claim as it deems advisable in the exercise of its sole discretion. The obligations of the Academy under this Section shall survive any assignment or termination of this Agreement and the resignation or removal of the Trustee.

Section 604. Taxes and Other Costs. The Academy shall promptly pay, as the same becomes due, all lawful taxes and governmental charges of any kind whatsoever, including without limitation income, profits, receipts, business, property and excise taxes, with respect to any estate, interest, documentation or transfer in or of the Site and the Project, the Agreement or any payments with respect to the foregoing, the costs of all building and other permits to be procured, and all utility and other charges and costs incurred in the operation, maintenance, use, occupancy and upkeep of the Site and the Project.

Section 605. Authority and Trustee Right to Perform Academy Obligations. In the event the Academy shall fail to perform any of its obligations under the Agreement, the Authority and the Trustee may, but shall be under no obligation to, perform such obligation and pay all costs related thereto, and all such costs so advanced by the Authority or the Trustee shall become an additional obligation of the Academy to the Authority or the Trustee, secured under the Indenture, payable on demand with interest thereon at 2% per annum in excess of the average rate per annum borne by the Series 2006 Bonds from the date of advancement until payment, but in no event in excess of the maximum rate permitted by law.

Section 606. Audit Obligation. The Academy shall have an independent audit, using generally accepted accounting principles generally used for public school accounting in the State of Michigan, of its bonding activities under these sections conducted within 120 days after completion of all projects financed by the proceeds of this Agreement and shall submit the audit report to the Michigan Department of Treasury and the Authority.

Section 607. Reports and Access to Projects and Records. The Academy covenants that promptly, but not later than one hundred twenty (120) days after the close of each fiscal year, it will file with the Authority and the Trustee, in such quantity as the Authority may require, its audited financial statements for such fiscal year reflecting in reasonable detail the financial position and results of operation of the Academy, together with the audit report by an independent certified public accountant or firm of independent certified public accountants of suitable experience and responsibility, and a certificate of an Authorized Academy Representative stating whether or not, to the knowledge of such person, a Default or Event of Default has occurred and continues, or if a Default or Event of Default has occurred and continues, describing such Default or Event of Default in reasonable detail. The Trustee may rely on the financial statements and certificates delivered to it and shall have no duty to analyze those documents or perform independent calculations.

The Academy further covenants and agrees that it will promptly file with the Authority a copy of all documentation, materials and notices filed by or on behalf of the Academy pursuant to or in connection with any continuing disclosure undertaking relating to the Series 2006 Bonds or other debt incurred by or for the benefit of the Academy.

Subject to the reasonable security and safety regulations, the Authority and the Trustee and their respective authorized agents shall have the right at all reasonable times to enter the Site and examine and inspect the Project.

The Academy agrees to file directly with the Trustee as soon as available and in any event within 45 days after the end of each fiscal quarter (except within 90 days after the end of each fourth fiscal quarter), a copy of the unaudited year-to-date financial and budget reports of the Academy for the fiscal period then ended, including a Statement of Net Assets, a Balance Sheet, a General Fund Budget and budgeted and actual data on student enrollment, revenues and expenses for such period. The Academy agrees that it shall be deemed to represent to the Beneficial Owners of the Series 2006 Bonds that all such filings present fairly, in all material respects, the information about the Academy purported to be shown.

ARTICLE VII.

CONSTRUCTION AND ACQUISITION OF PROJECT

Section 701. Project Fund Disbursements. Subject to the conditions set forth below, unless an Event of Default has occurred and is continuing, the Trustee shall disburse out of the Project Fund the lesser of (a) the Project Costs paid or incurred or (b) the Series 2006 Bond

proceeds deposited in the Project Fund and investment income in the Project Fund. Disbursement for Costs of Issuance Project Costs shall be made upon a Costs of Issuance Requisition Certificate executed by the Academy in the form shown on Exhibit C attached hereto in a form approved by an Authorized Officer of the Authority. Disbursements for Equipment Project Costs shall be made upon presentation of an Equipment Requisition Certificate executed by the Academy in the form shown on Exhibit D attached hereto or in a form approved by an Authorized Officer of the Authority. Disbursements for Project Costs other than Costs of Issuance and Equipment shall be made in a single disbursement, upon presentation of a Requisition Certificate executed by the Academy in the form shown on Exhibit E attached hereto or in a form approved by an Authorized Officer of the Authority.

Each Requisition Certificate shall be accompanied by copies of invoices or other appropriate documentation satisfactory to the Trustee, supporting the payments or reimbursements requested and by a brief description of the portion of the Project acquired, constructed or improved; provided that the Trustee shall have no duty or obligation to review such invoices and may conclusively rely on such requisitions.

Section 702. Obligation of the Academy to Complete the Project and to Pay Costs in Event Project Fund Insufficient. The Company shall proceed diligently to complete the Project substantially in accordance with the descriptions which have been provided to the Authority. If requested, the Academy shall make available to the Issuer and the Trustee such information concerning the Project as any of them may reasonably request. The Academy may revise the plans and specifications for the Project, provided, however, that the Project shall not be materially altered in scope, character, value or operation without the prior written consent of the Trustee and the holder of 100% of the Series 2006 Bonds, and provided, further, that the expenditure of moneys for the Project as modified is permitted by the Enabling Legislation and will not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes.

In the event the money in the Project Fund available for payment of the costs of the Project shall not be sufficient to make such payment in full, the Academy agrees to pay directly, or to deposit moneys in the Project Fund for the payment of, such costs of completing the Project as may be in excess of the moneys available therefor in the Project Fund. The Issuer does not make any warranty or representation, either expressed or implied, that the moneys which will be deposited into the Project Fund, and which under the provisions of this Agreement will be available for payment of the costs of the Project, will be sufficient to pay all of the costs which will be incurred in connection therewith. The Academy agrees that if, after exhaustion of the moneys in the Project Fund, the Academy shall pay, or deposit moneys in the Project Fund for payment of, any portion of the costs of the Project pursuant to the provisions of this Section 702, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or from the owners of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable hereunder.

Section 703. Recovery Under Breach of Warranty. All warranties shall vest in the Academy and in the event of default or breach of warranty by any contractor in connection with the Site or the Project or with respect to any materials, workmanship or performance or other

guaranty, the Academy may, after notification of the Authority, proceed, either separately or in conjunction with others, to pursue such remedies against the party in default and against each surety as it may deem advisable. Any amounts recovered in connection with the foregoing after Project Costs have been paid or duly provided for shall be paid to the Academy.

Section 704. Completion Certificate. The Completion Date of the acquisition, construction and installation of the Project and the payment of the entire Project Costs shall be evidenced to the Trustee and the Authority by the Completion Certificate.

Section 705. Use of Surplus Funds. As soon as practicable and in any event within 60 days from the date of delivery of the Completion Certificate, the Academy shall direct the Trustee to transfer any balance remaining in the Project Fund other than funds being retained for Costs of Issuance to be expended within twelve months thereof (i.e. "Surplus Bond Proceeds") to the Bond Fund, for use in accordance with the Indenture. Notwithstanding the foregoing, proceeds of the Series 2006 Bonds may be retained in the Project Fund longer than three (3) years after the Issue Date provided the Academy delivers a Favorable Opinion of Bond Counsel to the Trustee with respect to the retention and investment of such proceeds of the Series 2006 Bonds in the Project Fund.

Section 706. Application of Insurance and Condemnation. In the event (i) the Site or the Project is damaged or destroyed, or (ii) failure of title to all or part of the Site or the Project occurs or title to or temporary use of the Site or the Project is taken by condemnation or by the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Academy shall promptly give written notice thereof to the Authority and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy shall elect in writing whether to restore all or part of the Project or to prepay this Agreement. The Academy may only restore all or part of the Project if it demonstrates to the Trustee that (i) it has sufficient money available to it (including insurance proceeds) to undertake such restoration, and (ii) such restoration will not cause interest on the Series 2006 Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Academy chooses to restore all or part of the Project, the Trustee shall deposit the proceeds of such condemnation or insurance in the Project Fund, which shall be reactivated and drawn down in the same manner as provided for the Project Fund in Section 601. If the Academy shall elect to restore the Site and the Project, it shall proceed to do so with reasonable dispatch. If the Site and the Project shall have been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Site and the Project may not be reasonably restored within a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee) to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee), or if the cost of restoring the Site and the Project is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Site and the Project, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Series 2006 Bonds.

ARTICLE VIII.

FURTHER OBLIGATIONS OF THE ACADEMY

Section 801. Compliance With Laws. The Academy agrees that it shall, throughout the term of the Agreement and at no expense to the Authority, promptly comply or cause compliance with all legal requirements of duly constituted public authorities which may be applicable to the Site or the Project or to the repair and alteration thereof, or to the use or manner of use of the Site or the Project.

Section 802. Maintenance of Legal Existence Qualification. During the term of the Agreement, and except as otherwise provided by Section 806 hereof, the Academy shall maintain its existence and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it without the prior written consent of the Authority.

Section 803. Reports and Access to Projects and Records. The Academy covenants that promptly, but not later than one hundred twenty (120) days after the close of each fiscal year, it will file with the Authority and the Trustee (and upon written request with the original Underwriter for the Series 2006 Bonds), in such quantity as the Authority may require, its audited financial statement for such fiscal year reflecting in reasonable detail the financial position and results of operation of the Academy, together with the audit report by a certified public accountant or firm of independent certified public accountants of suitable experience and responsibility. The Trustee may rely on the financial statements and certificates delivered to it and shall have no duty to analyze those documents or perform independent calculations.

The Academy further covenants and agrees that it will promptly file with the Authority a copy of all documentation, materials and notices filed by or on behalf of the Academy pursuant to or in connection with any continuing disclosure undertaking relating to the Series 2006 Bonds or other debt incurred by or for the benefit of the Academy.

Subject to reasonable security and safety regulations, the Authority and the Trustee and the respective duly authorized agents of each shall have the right at all reasonable times to enter the Site and the Project and to examine and inspect the same.

Section 804. Covenant as to Non-Impairment of Tax-Exempt Status. Notwithstanding any other provision of any rights of the Academy under the Agreement, the Academy hereby covenants that, to the extent permitted by law, it shall take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of the interest on the Series 2006 Bonds from gross income for federal income tax purposes, on behalf of itself and the Authority, including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Series 2006 Bond proceeds and moneys deemed to be Series 2006 Bond proceeds, all as more fully set forth in the Non-Arbitrage Certificate.

Section 805. Covenant Regarding Bond Purchases. The Academy covenants that neither it nor any related person will purchase Series 2006 Bonds in an amount related to the amount of proceeds of such Bonds.

Section 806. Academy to Maintain Existence. The Academy covenants and agrees that for so long as any Series 2006 Bond remains outstanding under the Indenture, it shall maintain its existence as a Public School Academy under Michigan law and shall continue to operate its facilities located at the Site as a public school which will produce sufficient available revenues to pay the Installment Payments and all other amounts due and owing under this Agreement. Notwithstanding the foregoing, the Academy shall have the right to cease operations at the Site upon (a) prepayment in full of the Installment Payments, Additional Payments and any prepayment premium required by the Authority as determined in the sole discretion of the Authority and (b) filing an opinion of Bond Counsel that such prepayment and release will not adversely affect the exclusion of interest on the Series 2006 Bonds from gross income for federal income tax purposes.

Section 807. Other Obligations. The Academy covenants and agrees that, without the prior written consent of the Trustee, at the direction of the holders of 51% of the outstanding Series 2006 Bonds, it will not incur indebtedness for borrowed money, guarantee the obligations of others or incur pecuniary obligations, except the following:

- (a) obligations incurred in the ordinary course of business;
- (b) state aid notes issued pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended; and
- (c) other indebtedness incurred or guaranteed by the Academy in accordance with applicable law related to capital acquisitions provided that the aggregate maximum annual debt service on such indebtedness, in any fiscal year, together with the applicable Scheduled Installment Payment hereunder for such year, shall not exceed 20% of the amount of School Aid payable to the Academy by the State in such fiscal year.

Notwithstanding the foregoing, the Academy covenants and agrees that the amount of State School Aid to be received by the Academy shall be at least the total of the Installment Payments, Additional Payments and all payments on such other Obligations to which State School Aid has been pledged due in such fiscal year.

Section 808. Transfer, Assignment and Leasing. The Academy may lease any portion of the Project with the prior written consent of the Trustee provided that the Academy delivers to the Trustee and/or consent of the holder of 100% of the Series 2006 Bonds, the Issuer and the Trustee in connection with any such leasing a Favorable Opinion of Bond Counsel with respect to such lease. No leasing shall relieve the Academy from primary liability for any of its obligations hereunder, and in the event of any such leasing the Academy shall continue to remain primarily liable for the payment of Installment Payments and for performance and observance of the other agreements herein on its part to be performed and observed.

This Agreement may not be assigned without the prior written consent of the Issuer, the Trustee and a majority of the holders of the Bonds and compliance with the following requirements:

- (a) Approval by the Authority, in its sole discretion, of such sale or conveyance;
- (b) The Academy shall, on or prior to the effective date of such sale or assignment, furnish or cause to be furnished to the Issuer and the Trustee (i) an executed assumption agreement whereby the new owner agrees in writing to assume the obligations of the Academy under this Agreement and the Bond Documents to which the Academy is a party, together with the Trustee's written consent thereto, or consent of the holders of 100% of the Series 2006 Bonds, and (ii) a Favorable Opinion of Bond Counsel with respect to such assignment or sale agreement; and
- (c) The new owner shall submit evidence to the Trustee that it is qualified to do business as a public school academy in the State of Michigan.

Section 809. Substitution and Removal of Personal Property. Any property financed or refinanced with Bond proceeds may not be removed from any Project site unless (i) other property of equivalent or greater value and utility is substituted therefor within six months of such disposition or (ii) the proceeds of the sale of such property are used in accordance with the following sentence or (iii) the Academy receives an opinion of Bond Counsel that noncompliance with (i) or (ii) above will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proceeds received upon the sale of any of the property financed or refinanced with the proceeds of the Bonds (i) will be invested at a yield not in excess of the yield on the Bonds and used for the purpose of redeeming the Bonds at the first subsequent call date, or (ii) will be used for the purpose of acquiring property performing the same function at such Project site as the disposed property within six months of the date of receipt of such proceeds. Notwithstanding the foregoing, if any property financed or refinanced with the proceeds of the Bonds wears out or becomes obsolete so that it is no longer functional to the Academy and the Academy deems it appropriate to dispose of such property and, further, if the Academy or any related party thereto receives no economic benefit from the disposal thereof, then the Academy may dispose of such property other than as provided above.

Section 810. Maintenance, Repair and Modification. The Academy shall cause the Project to be used for the purposes described in this Agreement thereto throughout the term of this Agreement. The Academy does not know of any reason why the Project will not be used and occupied by it in the absence of supervening circumstances not now anticipated by it or beyond its control. The failure of the Academy to use the Project for its intended purposes shall not in any way abate or reduce the obligation of the Academy to pay the Installment Payments and the Additional Payments under the provisions of this Agreement.

The Academy agrees that it will keep the Project in good repair and good operating condition, ordinary wear and tear excepted, at its own cost.

The Academy may remodel the Project or make additions, modifications and improvements to the Project from time to time as the Academy, in its discretion, may deem to be desirable, the cost of which shall be paid by the Academy; provided, however, that such additions, modifications and improvements (i) do not materially and adversely alter the scope, character, value or operation of the Project without the prior written consent of the Trustee or the holders of 100% of the Series 2006 Bonds, (ii) do not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes and (iii) do not contravene the provisions of the Enabling Legislation.

ARTICLE IX.

ACTIONS AFFECTING COMPANY AND AUTHORITY; INTEREST IN THE AGREEMENT

Section 901. Interest in the Agreement. Neither the Academy nor the Company shall assign or transfer its rights or obligations under this Agreement, except as shall be permitted in this Agreement or consented to by the Authority and the Trustee.

Section 902. Authority Assignment of the Agreement. The Company and the Academy hereby each acknowledge and consent to the assignment and pledge pursuant to the Indenture by the Authority to the Trustee, as additional security for the Series 2006 Bonds, of this Agreement and all of the Authority's rights and powers under this Agreement, (except the Unassigned Rights) including the right to receive Installment Payments and Additional Payments.

Section 903. Rights of Trustee Hereunder. The terms of the Agreement and the enforcement thereof are essential to the security of the Trustee and are entered into for the benefit of the Trustee. The Trustee shall accordingly have contractual rights and duties in the Agreement and be entitled to enforce separately or jointly with the Authority the terms of the Agreement.

Section 904. Authority Compliance With Indenture. The Authority shall comply with the covenants, requirements and provisions of the Indenture and perform all of its obligations thereunder.

Section 905. Supplements to Indenture. The Authority shall consent to no supplements to the Indenture which have a material effect on the rights or obligations of the Academy or the Trustee without the prior written consent of the Academy and the Trustee, respectively.

ARTICLE X.

EVENTS OF DEFAULT AND REMEDIES

Section 1001. Events of Default. The term "Events of Default" shall mean, whenever used in the Agreement, any one or more of the following events:

(a) Failure by the Academy to make an Installment Payment hereunder when due;

(b) Failure by the Academy to make an Additional Payment hereunder when due;

(c) Failure by the Academy to observe and perform any other obligations in this Agreement, or in any other related or collateral documents on its part to be observed or performed for a period of forty-five days after written notice specifying such failure and requesting that it be remedied, given to the Academy by the Authority or the Trustee; provided, however, that if said Default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Trustee, is correctable without material adverse effect on the Series 2006 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected.

(d) The dissolution or termination of the Academy or failure by the Academy promptly to lift any execution, garnishment or attachment of such consequences as will materially impair its ability to carry out its obligations under this Agreement or the Academy becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver for the Academy or for the greater part of its properties; or a trustee or receiver is appointed for the Academy or for the greater part of its properties without its consent and is not discharged within 60 days; or bankruptcy, reorganization or liquidation proceedings are commenced by or against the Academy, and if commenced against the Academy are consented to by it or remain undismissed for 60 days; or an order for relief is entered in any bankruptcy proceeding.

(e) If any representation or warranty made by the Company or the Academy in any document delivered by the Company or the Academy to the purchaser(s) of the Series 2006 Bonds, the Trustee or the Authority in connection with the issuance, sale and delivery of the Series 2006 Bonds is untrue in any material respect.

(f) If the Academy shall default under any other agreement for payment of money in excess of \$25,000 and such default shall not be cured within any period of grace provided in such agreement, if any, or if the Academy shall assign or convey or attempt to assign or convey any of its rights or obligations under this Agreement except as shall be permitted under this Agreement, provided, however, that the Academy shall not be in default under this section, if it is contesting in good faith any default under any such other agreement for the payment of money, unless in the estimation of the Trustee the security of the Trustee under this Agreement is materially endangered.

(g) The occurrence of an Event of Default under the Indenture.

The term "Default" shall mean Default by the Academy in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Agreement, exclusive of any period of grace required to constitute an Event.

The Defaults described in subsection (c) above only, are also subject to the following limitation: If the Academy by reason of force majeure is unable to carry out or observe the obligations described in said subsection (c), the Academy shall not be deemed to be in breach or violation of this Agreement or in default during the continuance of such inability. The term "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts or other disturbances; acts of public enemies; inability to comply with or to cause compliance with laws, ordinances, orders, rules, regulations or requirements of any public authority or the government of the United States of America or the State of Michigan or any of their departments, agencies, or officials, or any civil or military authority; inability to procure or cause the procurement of building permits, other permits, licenses or other authorizations required for the construction, use, occupation, operation or management of the Project; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event other than financial inability not reasonably within control of the Academy. The Academy agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Academy from carrying out its agreements; provided, however, that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Academy, and the Academy shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Academy not in the best interests of the Academy.

Section 1002. Remedies Upon an Event of Default. Whenever any Event of Default shall have occurred and be continuing, the Authority or the Trustee may take any one or more of the following remedial steps:

(a) Declare all indebtedness under the Agreement (i.e., Installment Payments, Additional Payments and all other payments required by this Agreement) to be immediately due and payable, whereupon the payment date for the same shall become immediately accelerated and all such indebtedness shall become immediately due and payable;

(b) Have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Academy only, however, insofar as they relate to the Project, the Site or the Event of Default and remedying thereof;

(c) Exercise and enforce all or any of its rights under the security interests granted in this Agreement; and/or

(d) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate all or any part of the assets of the Academy for the benefit of the Authority and the Trustee.

No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity or by statute.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the Indenture, except amounts collected pursuant to ARTICLE VI for the benefit of the Authority which shall be paid to or retained by the Authority.

Section 1003. Payment of Attorneys' Fees and Other Expenses. In the event the Academy should default under any of the provisions of this Agreement and the Authority and/or the Trustee should employ attorneys or incur other expenses for the collection of the Installment Payments, and Additional Payments, for the enforcement of performance or observance of any obligation of the Academy in the Agreement or of the foreclosure of any security interests granted in this Agreement, the Academy shall on demand therefor pay to the Authority and/or the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 1004. Limitation on Waivers. No delay or omission to exercise any right or power occurring upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed appropriate. In order to entitle the Authority or the Trustee to exercise any remedy under this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required.

In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder nor a waiver of the same breach on a future occasion. By reason of the assignment and pledge of certain of the Authority's rights and interest in this Agreement to the Trustee, the Authority shall have no power to waive or release the Academy from any Event of Default or the performance or observance of any obligation or condition of the Academy under this Agreement without prior written consent of the Trustee, but shall do so if requested by the Trustee, provided that prior to such waiver or release by the Authority, the Authority shall have been provided with an opinion of bond counsel of nationally recognized standing that such action will not result in any pecuniary liability to it and the Authority shall have been provided such indemnification from the Trustee as the Authority shall deem necessary.

ARTICLE XI.

MISCELLANEOUS

Section 1101. Amounts Remaining in Funds. Any amounts remaining in the Bond Fund or the Project Fund upon expiration or sooner termination of this Agreement after payment in full of the Series 2006 Bonds (or provision therefor) in accordance with the Indenture, and all other costs and expenses of the Authority and the Trustee specified under this Agreement, and all the amounts required to be paid by the Academy under this Agreement and the Indenture shall have been fully paid, shall be applied as provided in the Indenture.

Section 1102. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, return receipt requested, addressed to the Authority, the Company, the Academy or the Trustee, as the case may be, at the Authority's Address, the Company's Address, the Academy's Address, or the Trustee's Address, respectively, or hand delivered to the above at their respective addresses. A duplicate copy of each such notice, certificate or other communication given hereunder to the Authority, the Company or the Trustee shall also be given to the others.

The Authority, the Academy, the Company, and the Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or communications shall be sent.

Section 1103. Amendment. The Agreement may not be amended or terminated without the prior written consent of the Trustee and the Authority and no amendment to the Agreement shall be binding upon either party hereto until such amendment is reduced to writing and executed by both parties hereto. Amendments to this Agreement are subject to the provisions of Sections 9.03 and 9.04 of the Indenture.

Section 1104. Entire Agreement. The Agreement contains all agreements between the parties and there are no other representations, warranties, promises, agreements or understandings, oral, written or inferred, between the parties, unless reference is made thereto in the Agreement and the Indenture.

Section 1105. Binding Effect. The Agreement shall be binding upon the parties hereto and upon their respective successors and assigns, and the words "Authority," "Company," "Academy" and "Trustee" shall include the parties hereto and their respective successors and assigns and include any gender and singular and plural, any individuals, partnerships or corporations.

Section 1106. Severability. If any clause, provision or section of the Agreement be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections.

Section 1107. Execution in Counterparts. The Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1108. Captions. The captions or headings in the Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of the Agreement.

Section 1109. Applicable Law. The Agreement shall be governed in all respects, whether as to validity, construction, performance or otherwise, by the laws of the State of Michigan.

Section 1110. Non-Liability of State. The Agreement shall not be construed to create any liability or indebtedness of the State of Michigan, or of any officer thereof.

Section 1111. Non-Liability of Authorizing Body. The Authority and the Trustee, on behalf of the Bondholder, each understands and agrees that the authorizing body, Central Michigan University, has not agreed to assume, undertake or in any way guarantee payment of the Academy's obligations from any source of revenue available to the Authorizing Body, including the administrative fee deducted by the Authorizing Body from the state school aid payments received by the Authorizing Body for the Academy.

Section 1112. The Indenture. The Academy agrees to be bound by the terms of the Indenture applicable to it, and agrees not to take any action which would cause the Authority or the Trustee to violate the terms of the Indenture.

(Signatures on Next Page)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**MICHIGAN PUBLIC EDUCATIONAL
FACILITIES AUTHORITY**

By: _____
Thomas J. Letavis
Executive Director

17339 ROOSEVELT ROAD, LLC

By: _____
Its: _____

WG EQUIPMENT VENDOR, LLC

By: _____
Its: _____

WALDEN GREEN MONTESSORI

By: _____
Its: _____

**EXHIBIT A
TO
INSTALLMENT PURCHASE FINANCING AGREEMENT
INSTALLMENT PAYMENTS**

See attached.

Schedule of Intercept Amounts Assigned
Pursuant to the Financing Agreement (Direct Payments)

<u>Date</u>	Principal Component and Portion of Set- Aside Component Allocated to <u>Principal</u>	Interest Component and Portion of Set- Aside Component Allocated to <u>Interest</u>	Scheduled Fee <u>Payments</u>	<u>Total</u>
		See Attached		

EXHIBIT B
TO
TO INSTALLMENT PURCHASE FINANCING AGREEMENT

PROJECT DESCRIPTION

[TO BE ADDED, INCLUDING SEPARATE EQUIPMENT SCHEDULE(S)]

Exhibit D-49

**EXHIBIT C
TO
INSTALLMENT PURCHASE FINANCING AGREEMENT

COSTS OF ISSUANCE REQUISITION CERTIFICATE**

TO: Wells Fargo Bank, N.A., Trustee, and Michigan Public Educational Facilities Authority
FROM: Walden Green Montessori (the "Academy")
RE: \$_____ Michigan Public Educational Facilities Authority Limited Obligation
Revenue Bonds (Walden Green Montessori Project), Series 2006

This represents Costs of Issuance Requisition Certificate No. __ in the total amount of \$_____ to pay those costs of the Project detailed in the schedule attached.

The undersigned certifies that:

1. The expenditures for which moneys are requisitioned hereby represent proper charges against the Project Fund for the above-named Series 2006 Bonds, have not been included in a previous requisition and have been properly recorded on the Academy's books.
2. The moneys requisitioned hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Academy for its funds actually advanced for the Costs of Issuance.
3. After payment of moneys hereby requested, there will remain in the Project Fund or otherwise available to the Academy sufficient funds available to complete the Project.

Executed this ____ day of _____, _____.

WALDEN GREEN MONTESSORI

By: _____
Authorized Academy Representative

**EXHIBIT D
TO
INSTALLMENT PURCHASE FINANCING AGREEMENT

EQUIPMENT REQUISITION CERTIFICATE**

TO: Wells Fargo Bank, N.A., Trustee, and Michigan Public Educational Facilities Authority
FROM: Walden Green Montessori (the "Academy")
RE: \$_____ Michigan Public Educational Facilities Authority Limited Obligation
Revenue Bonds (Walden Green Montessori Project), Series 2006

This represents Equipment Certificate No. __ in the total amount of \$_____ to pay those costs of the Project detailed in the schedule attached.

The undersigned certifies that:

1. The expenditures for which moneys are requisitioned hereby represent proper charges for Equipment against the Project Fund for the above-named Series 2006 Bonds, have not been included in a previous requisition and have been properly recorded on the Academy's books. A Bill of Sale has been provided to the Academy with respect to the equipment being acquired with the moneys requisitioned hereby.
2. The moneys requisitioned hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Academy for its funds actually advanced for the costs of the Equipment shown on the attached Equipment Schedule, and do not exceed the Project Cost allocation shown on the attached Equipment Schedule.
3. After payment of moneys hereby requested, there will remain in the Project Fund or otherwise available to the Academy sufficient funds available to complete the Project.

Executed this ____ day of _____, _____.

WALDEN GREEN MONTESSORI

By: _____
Authorized Academy Representative

**EXHIBIT E
TO
INSTALLMENT PURCHASE FINANCING AGREEMENT

COMPLETION CERTIFICATE
AND FACILITIES COST REQUISITION CERTIFICATE**

TO: Wells Fargo Bank, N.A., Trustee, and Michigan Public Educational Facilities Authority

FROM: Walden Green Montessori (the "Academy")

RE: \$_____ Michigan Public Educational Facilities Authority Limited Obligation
Revenue Bonds (Walden Green Montessori Project), Series 2006

The undersigned does hereby certify:

1. The construction, installation, equipping and furnishing of the Project have been completed in accordance with the descriptions submitted to the Authority and in such manner as to conform with all requirements of the Agreement, as of the date of this Certificate (the "Completion Date"). The facilities comprising the Project are substantially completed and all approvals and certificates necessary to the occupancy and use of such facilities as a public school academy have been received in writing and all conditions appertaining thereto have been met.

2. Upon disbursement hereunder, the Project Costs will have been paid in full.

3. Contemporaneously herewith, the Academy is submitting to the Trustee (i) a marked-up mortgage title insurance commitment from a title insurance company satisfactory to the Trustee, naming the Trustee as lender, without standard exceptions, in the amount of the Series 2006 Bonds, insuring the Mortgage as a first lien in all respects, subject only to Permitted Encumbrances (as defined therein), together with (ii) evidence of payment of fees relating thereto.

4. The Trustee has received fully executed originals, in recordable form of either (i) the Mortgage of the Facilities Vendor and the Real Estate Covenant and Indemnity Agreement of the Academy or (ii) the Mortgage of the Academy, all in form and content acceptable to the Trustee.

5. The moneys in the Project Fund in excess of the total being requisitioned hereunder above represent Surplus Bond Proceeds and the Trustee is hereby authorized and directed to transfer such moneys to the Bond Fund in accordance with Section 605 of the Agreement.

6. No event of default has occurred under the Agreement, nor has any event occurred which, with the giving of notice or lapse of time or both, shall become an event of

default. Nothing has occurred to the knowledge of the Academy that would prevent the performance of its obligations under the Agreement.

This certificate is given without prejudice to any rights against third parties which exist at the date hereof or which may subsequently come into being.

Executed this ____ day of _____, ____.

WALDEN GREEN MONTESSORI

By: _____
Authorized Academy Representative

Exhibit D-51

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EXHIBIT E

FORM OF OPINION OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL]

May __, 2006

Michigan Public Educational Facilities Authority
Richard H. Austin State Office Building
Lansing, Michigan 48922

Re: \$4,370,000 Michigan Public Educational Facilities Authority Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006

Ladies and Gentlemen:

As Bond Counsel to the Michigan Public Educational Facilities Authority (the "Authority") we submit this opinion with respect to the issuance by the Authority of its Limited Obligation Revenue Bonds (Walden Green Montessori Project), Series 2006 (the "Bonds").

The Bonds are authorized to be issued by Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended (the "Enabling Legislation"), by a bond resolution adopted by the Authority on May 1, 2006 (the "Resolution"), and by a Trust Indenture, dated as of May 1, 2006 (the "Indenture") by and between the Authority and Wells Fargo Bank, N.A., a national banking association, as trustee (the "Trustee").

The Bonds are being issued pursuant to the Enabling Legislation, the Resolution and the Indenture to provide funding for the purchase of an obligation (the "Municipal Obligation") consisting of an Installment Purchase Financing Agreement (the "Financing Agreement") issued by Walden Green Montessori, a public school academy in the State of Michigan (the "Governmental Unit") as set forth in the Resolution and the Indenture, to pay capitalized interest, to fund a debt service reserve fund and to pay costs of issuance of the Bonds. The Bonds are subject to redemption prior to maturity as set forth in the Resolution and the Bonds.

We have examined the Constitution and statutes of the State of Michigan (the "State"), the Resolution, the Indenture, the Financing Agreement, a specimen of a Bond and such other information, records and documents as we deem necessary, including a non-arbitrage and tax compliance certificate of the Authority, and based on such examination we are of the opinion under existing law that:

1. The Authority is duly created and validly existing as a body corporate with the power to adopt the Resolution and execute the Indenture.
2. The Resolution has been duly adopted by the Authority, the Indenture has been duly executed by the Authority and each constitutes legal, valid and binding actions of the Authority in accordance with its terms.
3. The Bonds are valid and legally binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and accrued interest thereon solely from the security pledged therefor under the Indenture. The Bonds are not a general obligation of the Authority. Neither the State nor any political subdivision of the State is obligated to pay the principal of, premium, if any, or interest on the Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision of the State is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

4. The interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. This opinion is subject to the condition that the Authority and the Governmental Unit comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Authority and the Governmental Unit have covenanted to comply with all such requirements to the extent permitted by law. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

5. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

In rendering the foregoing opinion, no opinion is expressed as to the validity or enforceability of the Municipal Obligation, and we have, with your approval, relied upon the opinion of counsel to the Governmental Unit as to those matters.

Enforceability of the Bonds, the Indenture and the Resolution may be subject to the application of general principles of equity including those related to equitable subordination, and to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

DYKEMA GOSSETT PLLC

EXHIBIT F

**FORM OF OPINION OF THE
ATTORNEY GENERAL**

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[FORM OF OPINION OF THE ATTORNEY GENERAL OF THE STATE OF MICHIGAN]

_____, 2006

Michigan Public Educational Facilities Authority
Richard H. Austin State Office Building
Lansing, Michigan 48909

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan Public Educational Facilities Authority (the "Authority") of bonds designated MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY LIMITED OBLIGATION REVENUE BONDS (WALDEN GREEN MONTESSORI PROJECT), SERIES 2006 in the aggregate principal amount of \$_____ (the "Bonds"):

(1) Executive Order 2002-3, the Shared Credit Rating Act, 1985 PA 227, as amended, and the Michigan Strategic Fund Act, 1984 PA 270, as amended, (the "Enabling Legislation") which collectively, created the Authority and empowered it to issue revenue bonds;

(2) a certified copy of the resolution adopted by the Authority on May 1, 2006 authorizing the issuance of the Bonds (the "Resolution");

(3) an executed counterpart of the trust indenture dated as of May 1, 2006 (the "Indenture"), entered into between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee");

(4) an executed counterpart of the installment purchase financing agreement dated as of May 1, 2006 (the "Financing Agreement") entered into among the Authority, 17339 Roosevelt Road, LLC ("Roosevelt"), WG Equipment Vendor, LLC, and Walden Green Montessori, a Michigan public school academy (the "Academy");

(5) a Nonarbitrage Certificate of the Authority; and

(6) one Bond, as executed, or a specimen thereof.

The Bonds are being issued for the purpose of providing funds which will be used to (i) purchase the obligation (the "Municipal Obligation") of the Academy as set forth in the Indenture and the Financing Agreement (ii) make a deposit to the reserve fund for the Bonds, (iii) pay capitalized interest on the Bonds, and (iv) pay costs of issuance of the Bonds. The Academy will use the proceeds of the Bonds to acquire and equip a certain public school facility in the City of Ferrysburg, Ottawa County, Michigan.

By the terms of the Financing Agreement, the Academy has contracted to make repayments at times and in amounts sufficient to enable the Authority to pay the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the repayments to the Authority from the Academy and certain rights of the Authority (to the extent specified in the Indenture) have been assigned by the Authority to the Trustee as security for the Bonds.

The Academy will execute and deliver a real estate covenant and indemnification agreement to be executed contemporaneously with a mortgage from Roosevelt (collectively, the "Mortgage") in favor of the Trustee as additional security for the Bonds.

In rendering this opinion, I have relied upon the opinion, dated today, of Warner, Norcross & Judd LLP, counsel for the Academy, to the effect that the Financing Agreement and Mortgage are valid and binding obligations of the Academy and as to other matters set forth in the opinion. I express no opinion as to the validity or enforceability of the Financing Agreement, Mortgage, or any liens created thereby. I have assumed the due authorization, execution, and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture. I have also assumed the accuracy of and relied upon the information and representations contained in the Financing Agreement and the certificates of the Academy (including specifically the representation that the Academy is a public school academy under Michigan law and the representation and covenant by the Academy that it will comply with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and I have made no independent investigation of the accuracy of the information and representations contained therein.

Based on the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Authority is a public body corporate and politic of the State duly organized and validly existing under the Constitution and the laws of the State, including particularly the Enabling Legislation.
2. The Authority has the power under the laws of the State to adopt the Resolution. The Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and is the valid and binding action of the Authority. The Indenture has been duly authorized, executed, and delivered by the Authority and constitutes a valid and binding agreement of the Authority enforceable in accordance with its terms.
3. The Bonds have been duly authorized, executed, and delivered by the Authority and, when duly authenticated, will constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and interest thereon solely from the security pledged therefor under the Indenture (which security includes the Municipal Obligation) or otherwise provided by the Academy.
4. The Bonds are limited obligations of the Authority. The Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State and do not constitute a charge against the general credit of the Authority or a charge against the credit or taxing power of the State. The Authority has no taxing power.
5. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the Academy and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excluded from gross income for federal income tax purposes. The Academy has covenanted for itself and on behalf of the Authority to comply with each such requirement. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.
6. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

Enforceability of the Bonds, the Indenture, and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights that have been or in the future will be enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

I express no opinion on the investment quality of the Bonds or whether the facts, figures, or financial information or other statements made respecting the Academy contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make those statements, in the light of the circumstances under which they were made, not misleading.

Sincerely yours,

MIKE COX
Attorney General

Assistant Attorney General

Assistant Attorney General

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EXHIBIT G

**FORM OF CONTINUING
DISCLOSURE AGREEMENT**

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FORM OF CONTINUING DISCLOSURE AGREEMENT

\$4,370,000

Michigan Public Educational Facilities Authority
Limited Obligation Revenue Bonds
(Walden Green Montessori Project)
Series 2006

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by Walden Green Montessori (the “Academy”), a Michigan public school academy, in connection with the issuance by the Michigan Public Educational Facilities Authority (the “Authority”) of its Limited Obligation Revenue Bonds (Walden Green Montessori Project) Series 2006 in the aggregate principal amount of \$4,370,000 (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture (the “Indenture”) dated as of May 1, 2006 between the Authority and Wells Fargo Bank, N.A., a national banking association, as Bond Trustee (the “Bond Trustee”) and a resolution adopted by the Authority on May 1, 2006, authorizing the issuance, sale and delivery of the Bonds (the “Resolution”). The Academy covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. (a) This Disclosure Agreement is being executed and delivered by the Academy for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriter in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Agreement shall be deemed to be and shall constitute a contract between the Academy and the Bondholders from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Academy shall be for the benefit of the Bondholders of any and all of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Academy pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondholder” means the registered owner of a Bond or any person which (i) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of a Bond for federal income tax purposes.

“Dissemination Agent” shall mean the Academy or the person the Academy has appointed in writing to act as Dissemination Agent on behalf of the Academy and who has provided a written acceptance of such appointment with the Academy.

“GAAP” shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act.

“National Repository” shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The National Repositories approved by the SEC as of a recent date are set forth in EXHIBIT A.

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Official Statement” shall mean the final Official Statement for the Bonds dated May __, 2006.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

“Project” means the Project described in the Official Statement.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12 (17 CFR Part 240, §240.15c2-12) promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guides or other official interpretations or explanations thereof that are promulgated by the SEC.

“SEC” shall mean the United States Securities and Exchange Commission

“Securities Counsel” shall mean legal counsel expert in federal securities law.

“State” shall mean the State of Michigan.

“State Repository” shall mean any public or private repository or entity designated by the State as a state information depository for the purpose of the Rule and recognized as such by the SEC. As of the date of this Disclosure Agreement, the only State Repository and its address and telephone numbers are as follows:

Municipal Advisory Council of Michigan
1445 First National Bank Building
Detroit, Michigan 48226-3517
Tel: (313) 963-0420
Fax: (313) 963-0943
<http://www.macmi.com>
Email for filings: mac@macmi.com

SECTION 3. Provision of Annual Reports.

(a) Each year, the Academy shall provide, or shall cause the Dissemination Agent to provide, not later than the date six months after the first day of the Academy’s fiscal year, commencing with the Academy’s Annual Report for its fiscal year ended June 30, 2006 to each Repository an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 business days (or such lesser number of days as is acceptable to the Dissemination Agent if the Dissemination Agent is other than the Academy) prior to said date, the Academy shall provide the Annual Report to the Dissemination Agent (if other than the Academy). Currently, the Academy’s fiscal year commences on July 1. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that if the audited financial statements of the Academy are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Academy shall be included in the Annual Report.

(b) If the Academy is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Academy shall cause the Dissemination Agent (if other than the Academy) to send a notice, in a timely manner, to each National Repository or the MSRB and to the State Repository, in substantially the form attached as EXHIBIT B.

(c) If the Academy's fiscal year changes, the Academy shall cause the Dissemination Agent (if other than the Academy) to send written notice of such change to each National Repository or the MSRB and to the State Repository, in substantially the form attached as EXHIBIT C.

(d) The Academy shall (or if the Dissemination Agent is other than the Academy, shall cause the Dissemination Agent to) determine each year, prior to the date for providing the Annual Report, the name and address of each National Repository and the State Repository; and, if the Dissemination Agent is other than the Academy, the Dissemination Agent shall file a report with the Academy certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(e) In connection with providing the Annual Report, the Dissemination Agent (if other than the Academy) is not obligated or responsible under this Disclosure Agreement to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 4. Content of Annual Reports. The Academy's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Academy for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and operating data of the same general nature as that contained in Exhibit A of the Official Statement under the section titles "Enrollment," "Waiting List," "Student Retention," "State Aid Payments," "Historical and Projected Revenues and Expenses" and "Net Debt Service and Coverage"; provided, however, that the Academy is not required to report the foregoing information or data to the extent it is included in the audited financials of the Academy.

The Academy's financial statements shall be audited and prepared pursuant to State laws, administrative rules and guidelines in accordance with GAAP as applicable to governmental units such as the Academy.

Any or all of the items listed above may be included by specific reference to other documents that previously have been provided to each of the Repositories or filed with the SEC. Notwithstanding the foregoing, if the document included by reference is a final official statement, it need only be available from the MSRB. The Academy shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Academy covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner and in accordance with the Rule:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events adversely affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities; and
- (xi) Rating changes.

(b) Whenever the Academy obtains knowledge of the occurrence of a Listed Event, the Academy shall as soon as possible determine if such event would be material under applicable federal securities laws; provided that any event under subsections (i), (viii), (ix) or (xi) above (only with respect to any change in the rating on the Bonds) will always be deemed to be material.

(c) If the Academy determines in the exercise of its best judgment in good faith that the occurrence of a Listed Event would be material under applicable federal securities laws, the Academy shall promptly cause a notice of such occurrence to be filed with each National Repository or the MSRB and with the State Repository, together with a cover sheet in substantially the form attached as EXHIBIT D. In connection with providing a notice of the occurrence of a Listed Event described in subsection (ix), the Academy shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the Academy), solely in its capacity as such, is not obligated or responsible under this Disclosure Agreement to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The Academy acknowledges that the “rating changes” referred to above in subsection (xi) may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Academy is liable, except for any indebtedness upon which the rating is based solely on the rating of the provider of credit enhancement upon such indebtedness.

(f) The Academy acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Academy does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Termination of Reporting Obligation.

(a) The Academy’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance of the Indenture or the prior redemption or payment in full of all of the Bonds.

(b) This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the Academy (i) receives an opinion of Securities Counsel, addressed to the Academy, to the effect that those portions of the Rule, which require such provisions of this Disclosure Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to each National Repository or the MSRB and the State Repository.

SECTION 7. Dissemination Agent. The Academy from time to time, may appoint or engage a Dissemination Agent or Agents to assist it in carrying out its respective obligations under this Agreement, and may discharge any such Agent or Agents, with or without appointing a successor Dissemination Agent or Agents.

SECTION 8. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, this Disclosure Agreement may be amended, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (i) if the amendment or waiver relates to the provisions of Section 3(a), (b), (c), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in identity, nature or status of the Academy, or type of business conducted by the Academy or in connection with the Project;
- (ii) this Disclosure Agreement, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) the amendment or waiver either (A) is approved by the Bondholders in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of the Bondholders, or (B) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Agreement, the Academy shall describe such amendment or waiver in the next Annual Report and shall include an explanation of the reason for such amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Agreement, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the Academy, or the Dissemination Agent (if other than the Academy) at the written direction of the Academy, to each National Repository or the MSRB and to the State Repository.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Academy from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Academy chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Academy shall have no

obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Failure to Comply. In the event of a failure of the Academy or the Dissemination Agent (if other than the Academy) to comply with any provision of this Disclosure Agreement, any Bondholder may bring an action to obtain specific performance of the obligations of the Academy or the Dissemination Agent (if other than the Academy) under this Disclosure Agreement, but no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and any failure to comply with the obligations under this Disclosure Agreement shall not constitute a default with respect to the Bonds or under the Indenture. Notwithstanding the foregoing, if the alleged failure of the Academy to comply with this Disclosure Agreement is the inadequacy of the information disclosed pursuant hereto, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than a majority of the aggregate principal amount of the then outstanding Bonds must take the actions described above before the Academy shall be compelled to perform with respect to the adequacy of such information disclosed pursuant to this Disclosure Agreement.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Academy, the Academy, the Dissemination Agent, the Participating Underwriter and the Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Agreement, and, in the sole determination of the Academy or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the Academy or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of such information and notices.

SECTION 14. Additional Disclosure Obligations. The Academy acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the Academy, and that under some circumstances, compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Academy under such laws.

SECTION 15. Optional Filing with Texas Municipal Advisory Council. Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "Texas MAC") as provided at www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas MAC dated September 7, 2004.

SECTION 16. Governing Law. This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

WALDEN GREEN MONTESSORI

By: _____

Its: _____

Date: May __, 2006

EXHIBIT A

The nationally recognized municipal securities information repositories approved by the Securities and Exchange Commission as of May __, 2006 are set forth below:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street; 15th Floor
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
<http://www.FTID.com>
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpcdata.com>
Email: nrmsir@dpcdata.com

EXHIBIT B

NOTICE TO EACH NATIONAL REPOSITORY OR
THE MSRB, TO THE STATE REPOSITORY AND
TO EACH ADDITIONAL DISCLOSURE RECIPIENT,
OR FAILURE TO FILE ANNUAL REPORT

Name of Academy: Walden Green Montessori

Name of Bond Issue: Michigan Public Educational Facilities Authority Limited Obligation Revenue
Bonds (Walden Green Montessori Project) Series 2006

Date of Bonds: May 1, 2006

NOTICE IS HEREBY GIVEN that the Academy has not provided an Annual Report with respect to the
above-named Bonds as required by Section 3 of its Continuing Disclosure Agreement with respect to the Bonds.
The Academy anticipates that the Annual Report will be filed by _____.

WALDEN GREEN MONTESSORI

By: _____

Its: _____

Dated: _____

EXHIBIT C

NOTICE TO EACH NATIONAL REPOSITORY OR
THE MSRB, TO THE STATE REPOSITORY AND TO EACH ADDITIONAL DISCLOSURE RECIPIENT, OF
CHANGE IN ACADEMY/ACADEMY'S FISCAL YEAR

Name of Academy: Walden Green Montessori

Name of Bond Issue: Michigan Public Educational Facilities Authority Limited Obligation Revenue
Bonds (Walden Green Montessori Project) Series 2006

Date of Bonds: May 1, 2006

NOTICE IS HEREBY GIVEN that the Academy's fiscal year has changed. Previously, the Academy's
fiscal year ended on _____. It now ends on _____.

WALDEN GREEN MONTESSORI

By: _____

Its: _____

Dated: _____

EXHIBIT D

ANNUAL FILING COVER SHEET

This cover sheet and annual financial information update and/or annual audit should be sent to all Nationally Recognized Municipal Securities Information Repositories, the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(A) and (B) and to each Additional Disclosure Recipient.

Academy, Academy and/or Other Obligated Person's Name:

Academy's Six-Digit CUSIP Number(s): _____

or Nine-Digit CUSIP Number(s) to which this material event notice relates: _____

Number of pages of (including cover sheet): _____

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____

Title: _____

Employer: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number (____) _____

